

Chun Sing Engineering Holdings Limited 震昇工程控股有限公司

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE : 2277

PUBLIC OFFER AND PLACING

Sponsor



大有融資有限公司
MESSIS CAPITAL LIMITED

Bookrunner and Lead Manager



東方滙財證券有限公司
ORIENT SECURITIES LIMITED

IMPORTANT

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

Chun Sing Engineering Holdings Limited 震昇工程控股有限公司

(Incorporated in the Cayman Islands with limited liability)

LISTING ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF PUBLIC OFFER AND PLACING

Total number of Offer Shares : 257,500,000 Shares comprising 128,750,000 New Shares and 128,750,000 Sale Shares

Number of Public Offer Shares : 25,750,000 New Shares (subject to re-allocation)

Number of Placing Shares : 231,750,000 Shares comprising 103,000,000 New Shares and 128,750,000 Sale Shares (subject to re-allocation)

Offer Price : HK\$0.60 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application and subject to refund)

Nominal value : HK\$0.01 per Share

Stock code : 2277

Sponsor



大有融資有限公司
MESSIS CAPITAL LIMITED

Bookrunner and Lead Manager



東方滙財證券有限公司
ORIENT SECURITIES LIMITED

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

A copy of this prospectus, having attached thereto the documents specified in the section "Documents Delivered to the Registrar of Companies in Hong Kong" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required under 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 as to the contents of this prospectus or any other documents referred to above.

Applicants for the Public Offer Shares are required to pay, on application, the Offer Price of HK\$0.60 for each Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%.

The Bookrunner may, with our Company's consent, reduce the number of Offer Shares under the Share Offer and/or the Offer Price 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, a notice of reduction in the number of Offer Shares and/or the Offer Price will be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Public Offer. Such notices will also be available at the website of the Stock Exchange at www.hkexnews.hk and website of our Company at www.cseng.com.hk. Details of the arrangement will then be announced by our Company as soon as practicable. Further details are set out in the sections "Structure and Conditions of the Share Offer" and "How to Apply for Public Offer Shares".

Prior to making an investment decision, prospective investors should consider carefully all the information set out in this prospectus, including risk factors set out in the section "Risk Factors". Pursuant to the Public Offer Underwriting Agreement, the Bookrunner has the right in certain circumstances to terminate the obligations of the Public Offer Underwriter at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of such circumstances are set out in the section "Underwriting — Underwriting Arrangements and Expenses — Public Offer — Grounds for Termination".

15 December 2014

EXPECTED TIMETABLE

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

Latest time to complete electronic applications
under **HK eIPO White Form** service through
the designated website at www.hkeipo.hk ⁽²⁾ 11:30 a.m. on Thursday, 18 December 2014

Application lists open ⁽³⁾ 11:45 a.m. on Thursday, 18 December 2014

Latest time for lodging **WHITE** and **YELLOW**
Application Forms and giving **electronic**
application instructions to HKSCC ⁽⁴⁾ 12:00 noon on Thursday, 18 December 2014

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 Thursday, 18 December 2014

Application lists close 12:00 noon on Thursday, 18 December 2014

Announcement of the level of indication of interest
in the Placing, the level of applications in respect
of the Public Offer and the results and basis of
allotment under the Public Offer to be published
in South China Morning Post (in English) and
Hong Kong Economic Times (in Chinese) and on
the website of Stock Exchange at
www.hkexnews.hk and our Company at
www.cseng.com.hk on or before Wednesday, 24 December 2014

Announcement of the results of allocations (with
successful applicants' identification document
numbers, where applicable) to be available
through a variety of channels including the
website of the Stock Exchange at
www.hkexnews.hk and our Company at
www.cseng.com.hk ⁽⁵⁾ as described in the section
"How to Apply for Public Offer Shares —
Publication of Results" on or before Wednesday, 24 December 2014

Results of allocations in the Public Offer to be
available at www.tricor.com.hk/ipo/result with a
"search by ID" function from Wednesday, 24 December 2014

EXPECTED TIMETABLE

Dispatch/collection of share certificates or deposit of Share certificates into CCASS^(6 and 7) in respect of wholly or partially successful applications pursuant to the Public Offer on or before Wednesday, 24 December 2014

Dispatch of **HK eIPO White Form** e-Auto refund payment instructions and dispatch/collection of refund cheques ^(7, 8 and 9) in respect of wholly or partially unsuccessful applications under the Public Offer on or before Wednesday, 24 December 2014

Dealings in Shares on the Main Board to commence at 9:00 a.m. on Monday, 29 December 2014

Notes:

1. All times and dates refer to Hong Kong local time and date. Details of the structure of the Share Offer, including its conditions, are set out in the section “Structure and Conditions of the Share Offer”.
2. You will not be permitted to submit your application to the HK eIPO White Form Service Provider through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. to 12:00 noon on Thursday, 18 December 2014, the application lists will not open and close on that day. Particulars of the arrangements are set forth under the section “How to Apply for Public Offer Shares — Effect of Bad Weather on the Opening of the Application Lists”. If the application lists do not open and close on Thursday, 18 December 2014, the dates mentioned in this section “Expected Timetable” may be affected. A press announcement will be made by our Company in such event.
4. Applicants who apply for the Public Offer Shares by giving **electronic application instructions** should refer to the section “How to Apply for Public Offer Shares — Applying by Giving Electronic Application Instructions to HKSCC via CCASS”.
5. None of the website of our Company or any of the information contained on the website of our Company forms part of this prospectus.
6. Share certificates for the Public Offer Shares will only become valid certificates of title at 8:00 a.m. (Hong Kong time) on the Listing Date (such date is currently expected to be on Monday, 29 December 2014) provided that (i) the Share Offer becomes unconditional in all respects; and (ii) the right of termination as described in the section “Underwriting — Underwriting Arrangements And Expenses — The Public Offer — Grounds for Termination” has not been exercised thereto and has lapsed.
7. Applicants who have made an application using **WHITE** Application Forms for 1,000,000 or more Public Offer Shares under the Public Offer and have provided all information required by the Application Form may collect their refund cheque(s) and/or share certificate(s) in person from the Hong Kong Branch Share Registrar between 9:00 a.m. to 1:00 p.m. on Wednesday, 24 December 2014. Applicants being individuals who are eligible for personal collection may not

EXPECTED TIMETABLE

authorise any other person to make collection on their behalf. Applicants being corporations which eligible for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with their chops. Both individuals and authorised representatives of corporations must produce, at the time of collection, evidence of identity and/or (where applicable) authorisation documents acceptable and satisfactory to the Hong Kong Branch Share Registrar.

If an applicant is using a **YELLOW** Application Form or giving Electronic Application Instructions, the relevant arrangements are set out in the section “How to Apply for Public Offer Shares — Despatch/Collection of Share Certificates and Refund Monies”.

Uncollected share certificates and refund cheques will be despatched by ordinary post, at the applicants’ own risk, to the addresses specified on the relevant applications. Further information is set out in the sections “How to Apply for Public Offer Shares — Despatch/Collection of Share Certificates and Refund Monies” and “How to Apply for Public Offer Shares — Circumstances in which You will not be Allocated Public Offer Shares”.

8. e-Auto refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications under the Public Offer.
9. Part of the Hong Kong identity card number/passport number of an applicant or, if there are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by the relevant applicant may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purpose. The banker of the relevant applicant may require verification of his/her Hong Kong identity card number/passport number before encashment of the refund cheque. Inaccurate completion of Hong Kong identity card number/passport number may lead to delay in encashment of, or may invalidate, the refund cheque.
10. The eve of Christmas, Wednesday, December 24, 2014 is a non-settlement day. Settlement Services under CCASS including settlement instructions and investor settlement instructions will not be available on that day.

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

CONTENTS

You should rely only on the information contained in this prospectus to make your investment decision. Our Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained or made in this prospectus must not be relied on by you as having been authorised by our Company, the Sponsor, the Selling Shareholder, the Bookrunner, the Lead Manager, any of the Underwriter, any of their respective directors, affiliates, employees or representatives or any other person or party involved in the Share Offer.

	<i>Page</i>
EXPECTED TIMETABLE	i
CONTENTS	iv
SUMMARY	1
DEFINITIONS	14
GLOSSARY OF TECHNICAL TERMS	22
FORWARD-LOOKING STATEMENTS	23
RISK FACTORS	24
INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER	37
DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER	41
CORPORATE INFORMATION	44
INDUSTRY OVERVIEW	46
REGULATORY OVERVIEW	56
COMPANY HISTORY AND REORGANISATION	64
BUSINESS	73
RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS	137
CONNECTED TRANSACTIONS	143
DIRECTORS AND SENIOR MANAGEMENT	145
SUBSTANTIAL SHAREHOLDERS	154
SHARE CAPITAL	155
FINANCIAL INFORMATION	158
FUTURE PLANS AND USE OF PROCEEDS	207

CONTENTS

	<i>Page</i>
UNDERWRITING	208
STRUCTURE AND CONDITIONS OF THE SHARE OFFER	219
HOW TO APPLY FOR PUBLIC OFFER SHARES	225
APPENDIX I — ACCOUNTANTS' REPORT	I-1
APPENDIX II — UNAUDITED PRO FORMA FINANCIAL INFORMATION	II-1
APPENDIX III — SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW	III-1
APPENDIX IV — STATUTORY AND GENERAL INFORMATION	IV-1
APPENDIX V — DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION	V-1

SUMMARY

This summary aims at giving you an overview of the information contained in this prospectus. As this 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 our Shares.

There are risks associated with any investment. Some of the particular risks in investing in our Shares are set out in the section “Risk Factors”. You should read that section carefully before you decide to invest in our Shares.

Various expressions used in this summary are defined in the section “Definitions”.

OVERVIEW OF OUR BUSINESS

We are principally engaged in the foundation and substructure construction business in Hong Kong. Our foundation and substructure construction services mainly include ELS works, pile caps construction and substructure construction for residential, commercial and infrastructure projects. Our services are inter-related to one another and our projects may include one or more types of services depending on the customers’ needs and requirements. During the Track Record Period, we mainly engaged in construction projects in Hong Kong in the capacity of subcontractor and also undertook a construction project as the main contractor. For the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014, we completed 13, 9, 9 and 1 project(s) respectively.

The foundation and substructure construction industry is significant to the overall construction industry in Hong Kong as it is a crucial part of foundation project. According to the IPSOS Report, the revenue generated from the foundation and substructure construction industry in Hong Kong grew from approximately HK\$0.7 billion in 2009 to approximately HK\$1.8 billion in 2013 at a CAGR of about 27.0% and is expected to increase at a CAGR of about 19.6% from approximately HK\$2.3 billion in 2014 to approximately HK\$4.7 billion in 2018.

For the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014, there were respectively, 28, 26, 21 and 9 construction projects contributed approximately HK\$195.6 million, HK\$449.9 million, HK\$578.5 million and HK\$196.6 million, respectively to our turnover.

SUMMARY

Set out below is the breakdown of construction projects which contributed to our turnover during the Track Record Period:

	For the year ended			For the
	31 March			three
	2012	2013	2014	months
	No. of	No. of	No. of	ended
	projects	projects	projects	30 June
				2014
				No. of
				projects
Turnover recognised				
HK\$100,000,000 or above	1	2	3	—
HK\$10,000,000 to below HK\$100,000,000	2	6	7	5
HK\$1,000,000 to below HK\$10,000,000	8	7	6	3
Below HK\$1,000,000	17	11	5	1
	<u>28</u>	<u>26</u>	<u>21</u>	<u>9</u>

As at the Latest Practicable Date, we had 13 construction projects in progress (representing projects that had commenced but not completed) which, based on the total contract sum of such projects, are expected to contribute approximately HK\$479.4 million and approximately HK\$256.7 million to our turnover from the Latest Practicable Date to 31 March 2015 and for the year ending 31 March 2016, respectively.

For the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014, we commenced 13, 11, 8 and 2 projects respectively. Set out below is the breakdown of such projects based on their contract sum:

	For the year ended			For the
	31 March			three
	2012	2013	2014	months
	No. of	No. of	No. of	ended
	projects	projects	projects	30 June
				2014
				No. of
				projects
Contract sum				
HK\$100,000,000 or above	1	3	3	—
HK\$50,000,000 to below HK\$100,000,000	—	1	—	—
HK\$10,000,000 to below HK\$50,000,000	3	3	2	2
Below HK\$10,000,000	9	4	3	—
	<u>13</u>	<u>11</u>	<u>8</u>	<u>2</u>

For details on our projects, please refer to the sections “Business — Projects during Track Record Period — Completed projects” on page 80 to page 81, “Business — Projects during Track Record Period — Projects in progress” on page 81 and “Business — Projects during Track Record Period — Backlog” on page 82.

SUMMARY

With our possession of the necessary machinery, we are generally self-sufficient and therefore not materially reliant on third party for machinery rental. Our machinery includes, among others, excavators, crawler cranes, hydraulic rock breakers and hydraulic crawler drillers, with net book value of approximately HK\$57.4 million as at 30 June 2014. Our investment in machinery enables us to better cater for construction projects of different scales and complexity. For the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014, we acquired new machinery in the amount of approximately HK\$0.9 million, HK\$37.4 million and HK\$38.7 million and HK\$4.0 million respectively. During the Track Record Period, upon the requests of our customers, we leased machinery to our customers if the machinery was not required for other construction projects during the relevant period. For the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014, our rental income from the lease of machinery amounted to approximately HK\$4.2 million, HK\$2.4 million, HK\$3.0 million and HK\$46,000 respectively. For information regarding our machinery, please refer to the section “Business — Our Machinery” on page 110 to page 114.

During the Track Record Period, our customers were primarily main contractors of various types of development projects in Hong Kong. For the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014, our revenue generated from main contractors accounted for approximately 88.0%, 99.2%, 98.3% and 97.8% of our total revenue respectively and the remaining customers mainly include subcontractors and land owners. The length of our business relationships with our five largest customers for the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014 ranged from approximately 1 year to 10 years, 1 year to 11 years, 4 years to 13 years and 1 year to 13 years respectively. During the Track Record Period, revenue contributed by Hsin Chong Companies and Paul Y Companies accounted for a substantial portion of our revenue. For the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014, the percentage of our Group’s total turnover attributable to Hsin Chong Companies, our largest customer during the Track Record Period, accounted for approximately 71.4%, 77.7%, 28.0% and 40.2% respectively; and Paul Y Companies, our second largest customer during the Track Record Period, accounted for approximately 12.3%, 10.2%, 26.7% and 27.3% respectively. For the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014 our Group’s total turnover attributable to our five largest customers in aggregate was approximately 95.0%, 97.5%, 96.0% and 100.0% respectively. For information on our customers, please refer to the section “Business — Customers” on page 89 to 101.

Depending on our capability, resources level, cost effectiveness and complexity of the project, we provide our services either by utilising our own resources (including employees and machinery), or by engaging subcontractors. For the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014, the subcontracting charges incurred by our Group amounted to approximately HK\$32.3 million, HK\$73.6 million, HK\$172.7 million and HK\$64.5 million, respectively. For information regarding our subcontracting arrangement, please refer to the section “Business — Subcontracting” on page 106 to page 110.

Our suppliers primarily provide us with (i) construction materials such as concrete and steel; (ii) diesel fuel; and (iii) transportation services. We have an approved list of service providers including suppliers and subcontractors. The length of our business relationships with our suppliers on the approved list ranges from 1 year to 13 years. Please refer to the section “Business — Suppliers” on page 101 to page 105.

SUMMARY

COMPETITIVE STRENGTHS

We believe that we have the following competitive strengths that enable us to grow and differentiate us from our competitors.

Our competitive strengths include our (i) position as one of the leading foundation and substructure construction work companies in Hong Kong; (ii) experienced management team; (iii) possession of a range of updated machinery; (iv) flexibility and capability to provide recommendations for projects; and (v) long-term relationships with some of our major customers.

For information regarding our competitive strengths, please refer to the section “Business — Competitive Strengths” on page 75 to page 76.

BUSINESS STRATEGIES

The principal business objective of our Group is to further strengthen our position in the foundation and substructure construction business in Hong Kong and we intend to achieve our future expansion plans by (i) competing for sizable foundation and substructure construction projects in Hong Kong; (ii) acquiring additional machinery to cater for different needs and requirements of projects and our business growth; and (iii) strengthening our manpower by recruiting experienced or skilled staff members such as project managers and plant operators for our foundation and substructure construction projects.

For information regarding our business strategies, please refer to the section “Business — Business Strategies” on page 77 to page 78.

LICENCE AND PERMIT

As advised by the Legal Counsel, for any works where our Group acts as the main contractor, if we work together with a registered general building contractor and/or a registered specialist contractor under the Buildings Ordinance who supervises the works and liaises with the Building Authority, our Group is not required to be registered as such or to obtain any requisite licences, permits or approval for its operations except the business registration.

During the Track Record Period, we mainly acted as a subcontractor for our foundation and substructure construction projects in Hong Kong and also acted as the main contractor for one of our foundation and substructure construction projects in which we worked together with a registered specialist contractor under the Buildings Ordinance.

For information regarding our licence and permit, please refer to the section “Business — Licence and Permit” on page 88 to page 89.

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 and risks relating to our industry. Potential investors are advised to read the section “Risk Factors” on page 24 to page 36 carefully before making any investment decision in the Share Offer. Some of the more particular risk factors include:

- Our turnover is mainly derived from projects which are non-recurrent in nature and there is no guarantee that our customers will provide us with new business;
- Our past turnover and profit margin may not be indicative of our future turnover and profit margin;
- We rely on a limited number of customers;
- Our pricing is determined based on the estimated time and costs involved in a project which may deviate from the actual time and costs involved and any material inaccurate estimation may adversely affect our Group’s financial results;
- Our liquidity and financial position may be adversely affected as there is no guarantee that the progress payment or retention money will be paid or released to us when such payment falls due;
- Changes on the subcontracting charges and the availability and performance of our subcontractors may adversely affect our operations and profitability;
- Changes on the supply or cost of labour will affect the competitiveness and profitability of our Group; and
- Any failure, damage or loss of our machinery may adversely affect our operations and financial performance.

SUMMARY

KEY OPERATIONAL AND FINANCIAL DATA

The following table sets forth our key financial information and ratios during the Track Record Period:

	Year ended 31 March			Three months ended 30 June	
	2012 <i>HK\$</i>	2013 <i>HK\$</i>	2014 <i>HK\$</i>	2013 <i>HK\$</i>	2014 <i>HK\$</i>
				<i>(unaudited)</i>	
Results of operations					
Turnover	199,756,305	452,266,783	581,431,405	108,843,251	196,620,219
Direct costs	188,923,526	384,023,117	497,048,030	90,823,032	167,226,324
Gross profit	10,832,779	68,243,666	84,383,375	18,020,219	29,393,895
Profit from operations	53,024	55,296,718	69,556,190	15,610,754	22,483,340
(Loss)/profit and total comprehensive income for the year/period	(454,962)	44,419,698	56,821,012	12,760,029	18,071,500
	As at 31 March			As at 30 June	
	2012 <i>HK\$</i>	2013 <i>HK\$</i>	2014 <i>HK\$</i>	2014 <i>HK\$</i>	
Financial position					
Non-current assets	29,461,452	58,003,560	79,724,312	79,882,334	
Current assets	53,351,515	146,082,208	208,462,536	268,511,950	
Non-current liabilities	2,528,300	7,147,599	14,757,716	21,935,241	
Current liabilities	68,788,710	141,022,514	160,692,465	211,650,876	
Net current (liabilities)/assets	(15,437,195)	5,059,694	47,770,071	56,861,074	
Total Equity	11,495,957	55,915,655	112,736,667	114,808,167	
	As at/for the year ended 31 March			As at/for the three months ended 30 June	
	2012	2013	2014	2014	
Key financial ratio					
Current ratio	0.8	1.0	1.3	1.3	
Gearing ratio	4.0	0.6	0.4	0.6	
Debt to equity ratio	3.2	0.5	0.4	N/A	
Interest coverage	0.1	33.6	53.3	98.0	
Return on assets	N/A	21.8%	19.7%	20.7%*	
Return on equity	N/A	79.4%	50.4%	63.0%*	
Gross profit margin	5.4%	15.1%	14.5%	14.9%	
Net profit margin	N/A	9.8%	9.8%	9.2%	
Trade debtors turnover days	27.5 days	28.8 days	40.5 days	30.6 days	
Trade payables turnover days	25.6 days	45.0 days	53.1 days	34.1 days	

* Three months data multiplied by 4 so as to be comparable with annual data.

SUMMARY

Our turnover represents revenue derived from construction contracts and rental income from lease of machinery. Our revenue derived from construction contracts are recognised based on the stage of completion of the contracts. For the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014, our turnover derived from the construction contracts amounted to approximately HK\$195.6 million, HK\$449.9 million, HK\$578.5 million and HK\$196.6 million representing 97.9%, 99.5%, 99.5% and 100.0%, respectively and our turnover derived from rental income from the lease of machinery amounted to approximately HK\$4.2 million, HK\$2.4 million, HK\$2.9 million and HK\$46,000 representing approximately 2.1%, 0.5%, 0.5% and nil, respectively.

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

	Year ended 31 March			Three months ended 30 June	
	2012	2013	2014	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(unaudited)</i>	
Construction material costs	80,823	161,727	129,334	22,109	47,758
Subcontracting charges	32,267	73,634	172,666	31,002	64,510
Staff costs	23,203	43,144	71,312	11,683	26,586
Depreciation expenses for machinery	6,627	11,649	15,673	3,302	4,913
Transportation expenses	25,985	54,281	41,165	8,724	7,789
Others	20,019	39,588	66,898	14,003	15,670
	<u>188,924</u>	<u>384,023</u>	<u>497,048</u>	<u>90,823</u>	<u>167,226</u>

Our direct costs increased from approximately HK\$188.9 million for the year ended 31 March 2012 to approximately HK\$384.0 million for the year ended 31 March 2013 mainly due to (i) the increase in construction material costs by approximately HK\$80.9 million in line with the increased turnover generated by our construction contracts; (ii) the increase in subcontracting charges by approximately HK\$41.4 million as we undertook more projects of larger scale which we provided wider scope of services and engaged more subcontractors; and (iii) the increase in staff costs as we employed more plant operators and direct workers to cope with our business growth as well as the salary increment of existing staff. Our direct costs increased further by HK\$113.0 million to approximately HK\$497.0 million for the year ended 31 March 2014 mainly due to (i) the increase in subcontracting charges by approximately HK\$99.0 million as we undertook more projects with turnover contribution of more than HK\$100 million which required a wider scope of services from us and more subcontracting works; (ii) the increase in staff costs by approximately HK\$28.2 million as we engaged more direct workers to cope with our business growth as well as the salary increment of existing staff; and (iii) the decrease in construction material costs of approximately HK\$32.4 million as one of the projects which required relatively more construction materials was completed in the fourth quarter of 2013.

SUMMARY

For the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014, we incurred loss of approximately HK\$0.5 million, profit of approximately HK\$44.4 million, HK\$56.8 million and HK\$18.1 million, respectively. The loss incurred for the year ended 31 March 2012 was mainly because we undertook a project with contract sum above HK\$100 million with a relatively low gross profit margin of 0.5%, which led to the low gross profit margin for the year as compared to the relatively stable gross profit margin of approximately 15.1%, 14.5% and 14.9% respectively for the years ended 31 March 2013 and 2014 and for the three months ended 30 June 2014. Our Directors considered that it was for the benefit of the future development of our Group to tender the said project at a competitive rate in order to obtain the first project with contract sum above HK\$100 million awarded by the Hsin Chong Companies. Subsequent to 2012, as we undertook more projects of larger scale in 2013 and upon considering our resources level, we were able to tender projects with a higher gross profit margin in 2013.

Our net current asset as at 30 June 2014 was approximately HK\$56.9 million, which mainly comprised our trade receivables and trade payables. The improvement on our financial position throughout the Track Record Period was mainly due to the continuous business growth.

For the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014, our trade debtors turnover days were approximately 27.5 days, 28.8 days, 40.5 days and 30.6 days, respectively and were in line with the credit term offered to our customers. The lower turnover days for the years ended 31 March 2012 and 2013 and the three months ended 30 June 2014 was mainly attributable by our largest customer, which accounted for approximately 71.4%, 77.7% and 40.2% of our total turnover for each of the two years and the three months where the trade debtors turnover days for such customer was 13.5 days, 24.5 days and 20.6 days, respectively.

For the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014, our trade payables turnover days were approximately 25.6 days, 45.0 days, 53.1 days and 34.1 days. Our suppliers and subcontractors generally provided us with credit terms ranging from 0-60 days and 0-30 days, respectively. The continuous increase was mainly due to more subcontractor involvement and longer term for settlement as our increased number of relatively sizeable projects were undertaken.

Please refer to the section “Financial Information” on page 158 to page 206 for further discussion and analysis of our financial information.

CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

Immediately following completion of the Share Offer, Golden Roc will control more than 30% of the issued share capital of our Company. For the purpose of the Listing Rules, Mr. Leung, Mr. Kwan and Golden Roc are our Controlling Shareholders. Golden Roc is an investment holding company owned as to 55% by Mr. Leung and 45% by Mr. Kwan.

Mr. Leung and Mr. Kwan are interested in a number of companies (including sole proprietorship) which have been excluded from our Group but may compete (directly or indirectly) with our Group’s business. For information on the relationship with our controlling shareholders, please refer to the section “Relationship with the Controlling Shareholders” on page 137 to page 142.

SUMMARY

Our Group have entered into certain related parties transactions during the Track Record Period with related parties including subcontracting services, the lease of motor vehicles and the lease of properties. For details on the related parties transaction during Track Record Period, please refer to the section “Financial Information — Related Party Transactions” on page 200 to page 203. We have entered into lease agreements with related parties in relation to the lease of vehicles for our operations the terms of which will continue to run after the Listing. The transactions constitute an exempt continuing connected transactions for our Company under the Listing Rules. For details on the exempt continuing connected transactions, please refer to the section “Connected Transactions — Exempt Continuing Connected Transactions” on page 143 to page 144.

LITIGATION AND CLAIMS

As at the Latest Practicable Date, we are party to certain civil proceedings in respect of employees’ compensation claims and personal injuries claims, which are considered by our Directors to have no material impact on our Group. For details on our litigations and claims, please refer to section “Business — Litigation and Claims” on page 135 to page 136.

NON-COMPLIANCE

Our Group has on various occasions been involved in a number of non-compliance matters. During the Track Record Period, we did not fully comply with, among others, (i) certain conditions and terms of the Government leases and outline zoning plan with respect of prescribed land use; (ii) certain statutory requirements under the Predecessor Companies Ordinance in respect of failure to lay audited accounts at annual general meetings, late filing of corporate documents and due convention of annual general meetings; (iii) the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) in respect of timely filings of notifications in relation to commencement and cessation of employment and failure to submit filing regarding the fee paid to a consultant; and (iv) the Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) in respect of notice to the Commissioner of Labour regarding minor injuries of our employees. For details, please refer to the section “Business — Non-compliance” on page 124 to page 135.

OFFERING STATISTICS

Number of the Offer Shares:	257,500,000 Shares comprising 128,750,000 New Shares and 128,750,000 Sale Shares
Offer Price:	HK\$0.60 per Share (excluding brokerage, Stock Exchange trading fee and SFC transaction levy)
Market capitalisation of the Shares:	HK\$618,000,000
Unaudited pro forma adjusted net tangible assets of our Group attributable to owners of our Company per Share ⁽¹⁾ :	HK\$0.18 (Please refer to the section “Unaudited pro forma adjusted net tangible assets” in Appendix II to this prospectus for the bases and assumptions in calculating the unaudited pro forma adjusted combined net tangible assets per Share)

Note:

1. No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to 30 June 2014, in particular, the unaudited pro forma adjusted net tangible asset value per Share has not been adjusted for the effect of dividends of HK\$60.0 million declared and paid by our Group subsequent to 30 June 2014. Had the dividends been taken into account, the unaudited pro forma adjusted net tangible asset value per Share would have been reduced to HK\$0.12 per Share based on the Offer Price of HK\$0.60 per Share.

SUMMARY

LISTING EXPENSES

Our Directors estimate that the total amount of expenses in relation to the Listing is approximately HK\$23.0 million, which will be equally borne by the Selling Shareholder and us, each bearing approximately HK\$11.5 million. The portion of listing expenses borne by the Selling Shareholder in connection with the Sale Shares of approximately HK\$4.0 million will be set-off against the listing expenses of our Company. The portion of listing expenses of approximately HK\$7.5 million reimbursed by the Selling Shareholder in its capacity of a Shareholder will be accounted for as capital contribution to our Company.

Of the aggregate listing expenses of HK\$23.0 million, approximately HK\$4.0 million directly attributable to the issue of New Shares will be accounted for as a deduction from equity upon Listing. Of the remaining HK\$19.0 million, approximately HK\$4.0 million will be borne by the Selling Shareholder as stated above and approximately HK\$15.0 million will be charged to our profit or loss. Listing expenses of approximately HK\$2.7 million were charged to the profit or loss for the three months ended 30 June 2014 and an additional amount of approximately HK\$12.3 million will be charged to the profit or loss for the year ending 31 March 2015. Expenses in relation to the Listing are non-recurring in nature. **The Board wishes to inform our Shareholders and potential investors that our Group's financial performance and results of operations for the year ending 31 March 2015 will be significantly affected by the estimated expenses in relation to the Listing.**

FUTURE PLANS AND USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Share Offer, after deducting related underwriting fees and estimated expenses in connection with the Share Offer, upon the assumption that the Offer Price is HK\$0.60 per Share, will be approximately HK\$65.8 million. Our Directors presently intend to apply such net proceeds as follows:

- approximately HK\$40.0 million or approximately 60.8% of the net proceeds for the acquisition of additional machinery for foundation and substructure construction in the next 2 years to cater for different needs and requirements of projects and our business growth. There were 13 construction projects in our backlog as at the Latest Practicable Date and 6 of which are large scale projects with contract sum of over HK\$100 million. In order to cope with such business growth, we expect to use the allocated proceeds mainly for the purchases of 6 excavators, 2 crawler cranes, 2 hydraulic rock breakers and 3 hydraulic crawler drillers. The purchases will be fully financed by the allocated proceeds;
- approximately HK\$9.5 million or approximately 14.4% of the net proceeds for the recruitment of additional staff, including project management and execution team and plant operators for the next 2 years to cater for our business growth;
- approximately HK\$10.0 million or approximately 15.2% of the net proceeds will be used to repay part of our finance leases incurred in 2014 which will become mature in five years from the date of occurrence with interest rate ranging from approximately 2.8% to 5.9% per annum, which were incurred to fund our acquisition of fixed assets; and
- approximately HK\$6.3 million or approximately 9.6% of the net proceeds will be used as general working capital of our Group.

SUMMARY

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

We estimate that the Selling Shareholder will receive net proceeds of approximately HK\$65.8 million at the Offer Price of HK\$0.60 per Share after deducting related underwriting fees and estimated expenses in connection with the Share Offer. We will not receive any of the net proceeds of the Share Offer from the sale of Sale Shares by the Selling Shareholder.

DIVIDEND POLICY

Our Group did not declare any dividend for the three years ended 31 March 2012, 2013 and 2014. During the three months ended 30 June 2014 and subsequent to 30 June 2014, CS Engineering declared dividends of HK\$16.0 million and HK\$60.0 million, respectively to Mr. Leung and Mr. Kwan, the then shareholders, and as at the Latest Practicable Date, the declared dividends of HK\$56.0 million were paid from our internal resources and the remaining declared dividend of HK\$20.0 million is expected to be paid from our internal resources prior to Listing. The declaration and payment of future dividends will be subject to the decision of the Board having regard to various factors, including but not limited to our operations and financial performance, profitability, business development, prospects, capital requirements and economic outlook. It is also subject to the approval of our Shareholders as well as any applicable laws. The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payout ratio.

BACKLOG

As at 31 March 2012, 2013 and 2014, 30 June 2014 and the Latest Practicable Date, we had a total of 8, 10, 9, 10 and 13 projects in our backlog (representing projects that had commenced but not completed) respectively, with income derived or estimated to be derived from such projects as follows:

	2012	As at 31 March 2013	2014	As at 30 June 2014	As at the Latest Practicable Date
Number of projects in our backlog	8	10	9	10	13
Total turnover attributable to such projects	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>
- recognised on or before the date indicated	190.4	283.7	497.8	683.6	869.2
- estimated to be recognised in the future as at the date indicated	174.9	634.4	711.1	599.6	736.1
	<u>365.3</u>	<u>918.1</u>	<u>1,208.9</u>	<u>1,283.2</u>	<u>1,605.3</u>

SUMMARY

The expected completion dates of the projects in our backlog are as follows:

		As at 31 March		As at 30 June	As at the Latest Practicable Date
	2012	2013	2014	2014	Date
Number of projects in our backlog which were completed or expected to be completed:					
- up to the Latest Practicable Date*	8	6	1	—	—
- Latest Practicable Date to 31 March 2015^	—	2	4	5	7
- on or after 1 April 2015^	—	2	4	5	6
	<u>8</u>	<u>10</u>	<u>9</u>	<u>10</u>	<u>13</u>

* denotes actual completion dates

^ denotes expected completion dates

RECENT DEVELOPMENT

Subsequent to the Track Record Period and up to the Latest Practicable Date, we continued to focus on the development of our foundation and substructure construction business in Hong Kong.

As at the Latest Practicable Date, we had 13 projects in our backlog one of which was undertaken by us as a main contractor. The contract sum of the 13 projects in our backlog ranged from approximately HK\$5.1 million to HK\$370.7 million. Our services provided in these projects include ELS works, pile caps construction and substructure construction. As at the Latest Practicable Date, out of the 13 projects in progress, 7 projects were expected to be completed by 31 March 2015 and 6 projects were expected to be completed thereafter. Our results of operations for the year ending 31 March 2015 are expected to be significantly affected by the non-recurring listing expenses as discussed in the paragraph “Listing Expenses” in this section on page 10.

As at the Latest Practicable Date, we disposed of all investment properties to our Directors and related parties at a consideration of HK\$15.0 million and a gain of approximately HK\$0.3 million is expected to be derived therefrom. In addition, CS Engineering declared dividends of HK\$16.0 million and HK\$60.0 million to Mr. Leung and Mr. Kwan, the then shareholders during the three months ended 30 June 2014 and subsequent to 30 June 2014 respectively, and as at the Latest Practicable Date the declared dividends of HK\$56.0 million were paid from our internal resources and the remaining declared dividend of HK\$20.0 million is expected to be paid with our internal resources prior to Listing.

SUMMARY

Our collection of trade debtors subsequent to the Track Record Period has been satisfactory. Approximately 99.9% of our trade debtors as at 30 June 2014 were subsequently settled up to 31 October 2014.

MATERIAL ADVERSE CHANGE

As discussed in the paragraph “Listing Expenses” in this section on page 10, our Directors estimate that a non-recurring expense of HK\$15.0 million in relation to the Listing will be charged to profit or loss for the year ending 31 March 2015, which is expected to significantly affect our results of operations for the year ending 31 March 2015.

Our Directors confirm that subsequent to the Track Record Period and up to the date of this prospectus, there has been no material adverse change in the trading position or prospects of our Group.

DEFINITIONS

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

“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s) or, where the context so requires, any of them
“Articles” or “Articles of Association”	the articles of association of our Company adopted on 8 December 2014 and as amended from time to time, a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board” or “Board of Directors”	the board of Directors
“Bojin International”	Bojin International Limited, a company incorporated in the BVI with limited liability on 5 June 2014 and a direct wholly-owned subsidiary of our Company and the intermediate holding company of CS Engineering upon completion of the Reorganisation
“Bookrunner” or “Lead Manager”	Orient Securities Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under SFO, being the underwriter, the bookrunner and the lead manager to the Share Offer
“Buildings Ordinance”	the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Business Day” or “business day”	any day (other than Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compounded annual growth rate
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant

DEFINITIONS

“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Chi Fu”	Chi Fu Engineering Limited (志富工程有限公司) (formerly known as Base Sheen Enterprises Limited (基駿企業有限公司), Wah Kin Foundation Engineering Company Limited (華建地基工程有限公司), Chi Fu CT (Joint Venture) Limited (志富進達(聯營)有限公司), Chi Fu Foundation Limited (志富地基工程有限公司)), a company incorporated in Hong Kong with limited liability on 4 March 1998, which was owned as to 55% by Mr. Leung and as to 45% by Mr. Kwan before they disposed of all their interests on 7 July 2014
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, modified and supplemented 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, modified and supplemented from time to time
“Company” or “our Company”	Chun Sing Engineering Holdings Limited (震昇工程控股有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability on 15 July 2014
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and in the case of our Company, means collectively, Mr. Leung, Mr. Kwan and Golden Roc
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“CS Engineering”	Chun Sing Engineering Company Limited (震昇工程有限公司) (formerly known as Chun Sing Transportation Engineering Company Limited (震昇運輸工程有限公司)), a company incorporated in Hong Kong with limited liability on 27 July 1993 and an indirect wholly-owned subsidiary of our Company
“CS Machinery”	Chun Sing Machinery Company Limited (震昇機械有限公司), a company incorporated in Hong Kong with limited liability on 23 December 1998 and an indirect wholly-owned subsidiary of our Company
“Deed of Indemnity”	the deed of indemnity dated 8 December 2014 and signed by our Controlling Shareholders in favour of our Company (on its own behalf and as trustee for each member of our Group), particulars of which are set out in the paragraph “Other Information — Tax and Other Indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 8 December 2014 and signed by our Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries), in respect of certain non-competition undertakings given by our Controlling Shareholders in favour of us, particulars of which are set out in the section “Relationship with the Controlling Shareholders”
“Director(s)”	the director(s) of our Company
“Eternity Sail”	Eternity Sail Limited, a company incorporated in the BVI with limited liability on 2 January 2014 and a direct wholly-owned subsidiary of our Company and the intermediate holding company of CS Machinery upon completion of the Reorganisation
“Fortune Famous”	Fortune Famous Engineering (Transportation) Company Limited (福銘工程(運輸)有限公司) (formerly known as Fortune Famous Holdings Limited (福銘集團有限公司)), a limited liability company incorporated in Hong Kong on 3 April 2002, which is owned as to 50% by Mr. Leung and 50% by Mr. Kwan
“Golden Roc”	Golden Roc Holdings Limited, a company incorporated in the BVI with limited liability on 5 June 2014 which is owned as to 55% by Mr. Leung and 45% by Mr. Kwan respectively, and is one of our Controlling Shareholders

DEFINITIONS

“ GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider
“Group”, “we”, “us” or “our”	our Company and its subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries pursuant to the Reorganisation, its present subsidiaries and the businesses operated by such subsidiaries
“HK dollars” or “HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“ HK eIPO White Form ”	the application for the Public Offer Shares to be issued in applicant’s own name by submitting applications online through the designated website of HK eIPO White Form at www.hkeipo.hk
“HK eIPO White Form Service Provider”	The Bank of East Asia Limited
“HK Gold Gate”	Hongkong Gold Gate Enterprise Limited (香港金門企業有限公司), a company incorporated in Hong Kong with limited liability on 7 May 2007, which is owned as to 50% by Mr. Leung and 50% by Mr. Kwan
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”, “HKSAR” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Hsin Chong Companies”	Hsin Chong Construction (Asia) Limited, Hsin Chong Construction Company Limited and HCCG Building and Civil Engineering (Macau) Limited
“independent third party(ies)”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any directors, chief executive or substantial shareholders (within the meaning of the Listing Rules) of our Company, any of its subsidiaries or any of their respective associates

DEFINITIONS

“IPSOS”	Ipsos Business Consultancy, an independent market research agency
“IPSOS Report”	the market research report commissioned by us and prepared by IPSOS
“Latest Practicable Date”	5 December 2014, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information in this prospectus
“Legal Counsel”	Chan Chung, barrister-at-law in Hong Kong
“Listing”	the listing of the Shares on the Main Board
“Listing Committee”	the listing sub-committee of the directors of the Stock Exchange
“Listing Date”	the date, expected to be on or about 29 December 2014, on which dealings in the Shares first commence
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board, as amended, modified and supplemented from time to time
“Main Board”	the Main Board of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company adopted on 8 December 2014 and as amended from time to time
“Messis Capital” or “Sponsor”	Messis Capital Limited, the sponsor to the Listing and a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“Mr. Kwan”	Kwan Wai Ming (關偉明), an executive Director, the chief executive officer of our Company and one of our Controlling Shareholders
“Mr. Leung”	Leung Kam Chuen (梁錦泉), an executive Director, the chairman of the Board and one of our Controlling Shareholders
“Ms. Ho”	Ho Suet Ha Rosanna (何雪霞), the spouse of Mr. Kwan
“Ms. Ngai”	Ngai Luk Kan (危六根), the spouse of Mr. Leung

DEFINITIONS

“New Shares”	128,750,000 new Shares being offered for subscription at the Offer Price under the Share Offer
“Offer Price”	HK\$0.60 per Offer Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) at which the Offer Shares are to be subscribed for or purchased pursuant to the Share Offer
“Offer Share(s)”	collectively, the Public Offer Shares and the Placing Shares
“Paul Y. Companies”	Paul Y. Construction & Engineering Company Limited and Paul Y. Foundation Limited
“Placing”	conditional placing of the Placing Shares at the Offer Price to selected professional, institutional and other investors as set out in the section “Structure and Conditions of the Share Offer”
“Placing Shares”	the 231,750,000 Shares, comprising 103,000,000 New Shares initially being offered by our Company for subscription and 128,750,000 Sale Shares initially being offered by the Selling Shareholder for purchase under the Placing, subject to re-allocation as described in the section “Structure and Conditions of the Share Offer”
“Placing Underwriter”	the underwriter of the Placing
“Placing Underwriting Agreement”	the conditional underwriting and placing agreement relating to the Placing expected to be entered into on or about 19 December 2014 by, among others, our Company, the Selling Shareholder and the Placing Underwriter, particulars of which are summarised in the section “Underwriting”
“PRC”	the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
“Public Offer”	the offer of the Public Offer Shares for subscription by the members of the public in Hong Kong for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), payable in full on application, and subject to the terms and conditions described in this prospectus and the Application Forms

DEFINITIONS

“Public Offer Shares”	the 25,750,000 New Shares initially being offered for subscription under the Public Offer, subject to re-allocation as described in the section “Structure and Conditions of the Share Offer”
“Public Offer Underwriter”	the underwriter of the Public Offer
“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 12 December 2014 relating to the Public Offer entered into between, among others, our Company and the Public Offer Underwriter, particulars of which are summarised in the section “Underwriting”
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing particulars of which are summarised in the paragraph “Corporate Reorganisation” in Appendix IV to this prospectus
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Sale Shares”	128,750,000 Shares to be offered for purchase by the Selling Shareholder at the Offer Price under the Placing
“Selling Shareholder”	Golden Roc, the selling Shareholder under the Share Offer
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of our Company, which are to be traded in Hong Kong dollars and listed on the Main Board
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 8 December 2014, the principal terms of which are summarised in the paragraph “Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and details of our Substantial Shareholders are set out in the section “Substantial Shareholders”
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs, as amended, modified and supplemented from time to time
“Track Record Period”	the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014
“Underwriter(s)”	the Public Offer Underwriter(s) and the Placing Underwriter(s), details of which are set out in the section “Underwriting”
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United States”	United States of America
“US\$”	United States dollars, the lawful currency of the United States
“ WHITE Application Form(s)”	the application form(s) for the Public Offer Shares for use by the public who require such Public Offer Shares to be issued in the applicant’s own name
“ YELLOW Application Form(s)”	the application form(s) for the Public Offer Shares for use by the public who require such Public Offer Shares to be deposited directly into CCASS
“%”	per cent

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of individual items. Where information is presented in thousands or millions of units, amounts may have been rounded up or down.

GLOSSARY OF TECHNICAL TERMS

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

“Buildings Department”	the Buildings Department of Hong Kong
“CIC”	Construction Industry Council, the body established under the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong)
“ELS”	Excavation and lateral support
“formwork erection”	a formwork built on site out of timber and plywood or moisture-resistant particle board, in which concrete or similar materials are poured
“hoarding”	erecting fences or scaffolds on the ground and/or overhead structures to form a barrier between construction sites and adjoining area of the construction sites
“HOKLAS”	Hong Kong Laboratory Accreditation Scheme, an accreditation scheme operated by Hong Kong Accreditation Service
“lateral support”	a type of structure support to help prevent sideways movement
“pile cap”	a reinforced concrete structure built on top of a pile or a group of piles for transmission of loads to support the structure above
“practical completion certificate”	a document signifies that the works have been completed for all practical purposes
“reinforcement bar fixing”	a steel bar or mesh of steel wires used as a tension device in reinforced concrete to strengthen and hold the concrete in compression
“schedule of rates”	a set of general regulations and special conditions governing the execution of work and payment for works performed
“SRS”	Subcontractor Registration Scheme (formerly known as Voluntary Subcontractor Registration Scheme) established by the CIC
“substructure”	the structure that is below ground level
“superstructure”	the structure that is above the substructure
“Ten Major Infrastructure Projects”	10 major infrastructure projects announced in the 2007 Policy Address by the government of Hong Kong

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. In some cases the words such as “aim”, “anticipate”, “believe”, “estimate”, “expect”, “going forward”, “intend”, “may”, “plan”, “potential”, “predict”, “propose”, “seek”, “should”, “will”, “would” and other similar expressions, and the negative of these words, are used to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our Group’s business and operating strategies and plans of operation;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our Group’s business;
- our Company’s dividend distribution plans;
- our financial conditions;
- availability of bank loans and other forms of financing;
- the regulatory environment as well as the general industry outlook for the industry in which our Group operate;
- estimates of capacities and operating costs;
- future developments in the industry in which our Group operates; and
- the trend of the economy of Hong Kong, the PRC and the world in general.

These statements reflect the current views of our Directors with respect to future events, operations, liquidity and capital resources, and are based on several assumptions, including those regarding our Group’s present and future business strategies and the environment in which our Group will operate in the future.

Our Group’s future results could differ materially from those expressed or implied by such forward-looking statements. In addition, our Group’s future performance may be affected by various factors including, without limitation, those discussed in the sections “Risk Factors” and “Financial Information”, many of which are not within our Company’s control.

Should one or more risks or uncertainties stated in the aforesaid sections materialise, or should any underlying assumptions prove to be incorrect, actual outcomes may vary materially from those indicated. Prospective investors should therefore not place undue reliance on any of the forward-looking statements. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements as set out in this section.

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

RISK FACTORS

Potential investors should carefully consider all of the information set out in this prospectus and, in particular, should consider the following risks and special consideration associated with an investment in our Company before making any investment decision in relation to the Offer Shares. If any of the possible events as described below, or any other risk factors or uncertainties that our Company is unaware of, materialises, our Group's business, financial position and prospects could be materially and adversely affected and the trading prices of the Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

Our past turnover and profit margin fluctuated significantly and may not be indicative of our future turnover and profit margin

For the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014, our turnover amounted to approximately HK\$199.8 million, HK\$452.3 million, HK\$581.4 million and HK\$196.6 million respectively; our gross profit amounted to approximately HK\$10.8 million, HK\$68.2 million, HK\$84.4 million and HK\$29.4 million representing gross profit margin of approximately 5.4%, 15.1%, 14.5% and 14.9% respectively. The low gross profit margin for the year ended 31 March 2012 was mainly because we undertook a project with contract sum of above HK\$100 million with a relatively low gross margin of 0.5%. As we undertook more projects of larger scale in 2013 and upon considering our resources level, we were able to tender projects with a higher gross profit margin in 2013. We recorded net loss of approximately HK\$0.5 million for the year ended 31 March 2012, while for the two years ended 31 March 2013 and 2014 and the three months ended 30 June 2014, our net profit amounted to approximately HK\$44.4 million, HK\$56.8 million and HK\$18.1 million representing net profit margin of approximately 9.8%, 9.8% and 9.2% respectively.

However, such trend of historical financial information of our Group is a mere analysis of our past performance only and does not have any positive implication or may not necessarily reflect our financial performance in the future which will depend on our capability to secure new business and to control our costs. Profit margin for our foundation and substructure construction services may fluctuate from project to project due to factors such as the nature, scope and complexity of the project, the construction material costs and the number of workers, machinery and subcontractors required. There is no assurance that our profit margin in the future will remain at a level comparable to those recorded during the Track Record Period. Our financial condition may be adversely affected by any decrease in our profit margin.

Our turnover is derived substantially from projects which are non-recurrent in nature and there is no guarantee that our customers will provide us with new business

Our turnover derived substantially from projects which are non-recurrent in nature. We are engaged by our customers on a project-by-project basis and our customers are under no obligation to award projects to us. As such, there is no guarantee that we will be able to secure new business from customers. Accordingly, the number of projects and the amount of turnover we are able to derive

RISK FACTORS

therefrom may vary significantly from period to period. Accordingly, it is difficult to forecast the volume of future business. If we are unable to secure business from our existing customers or develop business relationships with any new customers, our business, financial condition and results of operations could be adversely affected.

We rely on a limited number of customers

For the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014, the number of customers with turnover contribution to our Group was 17, 10, 9 and 5, respectively. Our five largest customers accounted for approximately 95.0%, 97.5%, 96.0% and 100.0% of our turnover and our largest customer, Hsin Chong Companies, accounted for approximately 71.4%, 77.7%, 28.0% and 40.2% of our turnover for the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014, respectively.

Our customers engage us on a project-by-project basis instead of entering into long-term agreements. There is no assurance that our major customers will engage us again in the future. Any deterioration in the business or termination of the business relationship with our major customers may adversely affect our financial condition if we cannot secure new projects from other customers to compensate the loss from our major customers.

Our pricing is determined based on the estimated time and costs involved in a project which may deviate from the actual time and costs involved and any material inaccurate estimation may adversely affect our Group's financial results

We need to estimate the time and costs involved in a foundation and substructure construction project in order to determine our pricing. We do not enter into any long-term contracts with our suppliers or subcontractors. We normally place individual purchase orders for construction materials with our suppliers from time to time during execution stage of our construction projects. Without any long-term agreement or price-locking arrangement with our suppliers or subcontractors, we may be unable to source materials or engage subcontractors at similar prices as in previous years. There is no assurance that the actual amount of time and costs would not exceed our estimation during the execution of the construction project. The actual amount of time and costs involved in executing a foundation and substructure construction project may be adversely affected by numerous factors, including adverse weather conditions, accidents, breakdown of machinery, unforeseen site conditions such as limited spaces that impeded the use of certain machinery or unexpected geological conditions, and other unforeseen problems and circumstances. Any material inaccurate estimation in the time and costs involved in a project may adversely affect our profit margin and results of operations.

We had net current liabilities as at 31 March 2012 and we may expose ourselves to liquidity risk if we experience net current liabilities in the future

We had net current liabilities of approximately HK\$15.4 million as at 31 March 2012. The net current liabilities position was primarily attributable to amounts due to related parties of approximately HK\$32.1 million. As at 31 March 2013 and 2014 and 30 June 2014, we had net

RISK FACTORS

current assets of approximately HK\$5.1 million, HK\$47.8 million and HK\$56.9 million respectively. There is no assurance that we will not experience net current liabilities position in the future. We may not have sufficient working capital to meet our current liabilities or expand our operations as anticipated. In such circumstance, our liquidity, business operations, financial conditions and prospects may be materially and adversely affected.

Our liquidity and financial position may be adversely affected as there is no guarantee that the progress payment or retention money will be paid or released to us when such payment falls due

We issue invoice to our customers for works completed by us. A credit term of 0-42 days from the date of issuance of our invoice is granted to our customers. Our customers usually pay us by way of progress payments and some require retention money. However, there can be no assurance that our customers will settle our invoice on time and in full and the retention money will be released to us on a timely basis and in full upon project completion. As at 31 March 2012, 2013 and 2014 and 30 June 2014, we had trade receivables (excluding retention receivables and net of impairment) of approximately HK\$15.4 million, HK\$56.0 million, HK\$73.0 million and HK\$59.3 million respectively, of which approximately HK\$4.5 million, HK\$22.4 million, HK\$16.4 million and HK\$49.6 million respectively have been past due but not impaired as they were due from customers who have a good track record with our Group. As at 31 March 2012, 2013 and 2014 and 30 June 2014, we recorded retention receivables (net of impairment) of approximately HK\$20.0 million, HK\$31.1 million, HK\$50.8 million and HK\$61.6 million respectively. Any failure by our customers to make payments to us on time and in full may have an adverse impact on our liquidity and financial position.

Changes on the subcontracting charges and the availability and performance of our subcontractors may adversely affect our operations and profitability

Depending on our capability, resources level, cost effectiveness and complexity of the project, we may consider subcontracting certain activity in the project to other subcontractors in Hong Kong. Our subcontracting works include piling works, lateral support works, formwork erection works, reinforcement bar fixing works and concreting works. For the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014, subcontracting charges incurred by us amounted to approximately HK\$32.3 million, HK\$73.6 million, HK\$172.7 million and HK\$64.5 million respectively.

Subcontracting charges are affected by the changes in wages including those governed by regulations and/or recommended by the relevant industry association, changes to the wages may adversely affect our operations and financial position.

The requirements and specifications deviate from project to project. It is important for our Group to locate suitable subcontractors as we are responsible for the work performed by our subcontractors. Our operations and financial position may be adversely affected if the work performed by the subcontractors are not able to meet the requirements of the project.

RISK FACTORS

Changes to the supply and cost of labour may adversely affect our operations and profitability

Our foundation and substructure construction projects rely on the use of labour. Our staff costs accounted for approximately 12.3%, 11.2%, 14.3% and 15.9% of the total direct costs for each of the years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014, respectively. The supply and cost of labour in Hong Kong are affected by the availability of labour in the market as well as economic factors in Hong Kong including the inflation rate and standard of living. There is no assurance that the supply of labour and average cost of labour will be stable and that our Group will be able to identify and recruit staff members in replacement in a timely manner, which could have an adverse effect on our Group's operation. In addition, the Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) requires that an employee is entitled to be paid wages in respect of any wage period of not less than the minimum wage, which shall be derived by reference to the prescribed minimum hourly wage rate (currently set at HK\$30 per hour). There is no assurance that the statutory minimum wage will not increase in the future. In view of the potential increase in the cost of labour, if our Group is not able to apply effective strategy to control the cost of labour, our Group's competitiveness and profitability could be adversely affected.

We depend on key management and staff members with relevant expertise

Our success and growth depends on our executive Directors, senior management and other staff with relevant expertise. It is important to retain appropriate and suitable personnel with necessary industry expertise to serve our Group. Our Company has entered into a service agreement with each of its executive Directors and employment contracts with its senior management. There could be an adverse impact on its operations should a significant number of the executive Directors, senior management or other key personnel with relevant expertise terminate his/her employment with our Group and appropriate persons could not be found to replace them. There is no assurance that our Group will be able to attract and retain capable staff members or that they will not resign in the future.

Any failure, damage or loss of our machinery may adversely affect our operations and financial performance

Our foundation and substructure construction projects depend on the use of machinery owned by us. There is no assurance that our machinery will not be damaged or lost as a result of, among others, improper operation, accidents, fire, adverse weather conditions, theft or robbery. In addition, machinery may break down or fail to function normally due to wear and tear or mechanical or other issues. If any failed or damaged machinery cannot be repaired or if any lost machinery cannot be replaced in a timely manner, our operations and financial performance could be adversely affected.

We engage third party for transporting certain of our machinery which we are not able to transport and may not be able to claim for loss or damage to our machinery during the transportation process

During the Track Record Period, we engaged third party to transport certain of our machinery to and from the warehouse to the site or between sites. Our transportation expenses amounted to approximately HK\$26.0 million, HK\$54.3 million, HK\$41.2 million and HK\$7.8 million for the three

RISK FACTORS

years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014 respectively. As we do not purchase any insurance on transportation of the machinery by third party logistics service providers and we cannot assure that our logistics service providers have sufficient insurance coverage for loss or damage to our machinery. As such, we may not be able to claim for any loss or damage to our machinery during the transportation process, which could materially and adversely affect our business, financial condition and results of operation.

We may damage various underground services utilities and are exposed to such inherent project risks

Services utilities, such as fresh and flush water mains, low or high voltage electric cables, optical fibre telephone line and high pressure gas mains, are laid underground in Hong Kong. There is no assurance that damage to those utilities will not occur during our excavation works. Accordingly, we may be liable to the costs for the repair of such damaged services utilities.

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

Our profitability may be affected by the potential increase in depreciation expenses upon the planned acquisition of additional machinery

It is our business strategy to acquire additional machinery by utilising a portion of net proceeds from the Share Offer so as to enhance our technical ability and to strengthen our capability to cater for different needs and requirements of different customers. Please refer to the section “Future Plans and Use of Proceeds” for details as to the types of machinery to be purchased. Please also refer to the section “Business — Our Machinery” for details of our existing machinery. As a result of the purchase of additional machinery, it is expected that additional depreciation will be charged to our profit and loss and may therefore affect our financial performance and operating results.

We expect to purchase additional machinery in the next 2 years. We depreciate our machinery using the straight line method over their estimated useful lives of 4 to 5 years. The estimated depreciation expenses of HK\$40.0 million on the additional machinery purchased will be charged to our profit and loss for the years ending 31 March 2015 to 31 March 2021.

Our financial performance and results of operations will be affected by our listing expenses, which are non-recurring in nature

Our Directors estimate that the total amount of expenses in relation to the Listing is approximately HK\$23.0 million, which will be equally borne by the Selling Shareholder and us, each bearing approximately HK\$11.5 million. The portion of listing expenses borne by the Selling

RISK FACTORS

Shareholder in connection with the Sale Shares of approximately HK\$4.0 million will be set-off against the listing expenses of our Company. The portion of listing expenses of approximately HK\$7.5 million reimbursed by the Selling Shareholder in its capacity of a Shareholder will be accounted for as capital contribution to our Company.

Of the aggregate listing expenses of HK\$23.0 million, approximately HK\$4.0 million directly attributable to the issue of New Shares will be accounted for as a deduction from equity upon Listing. Of the remaining HK\$19.0 million, approximately HK\$4.0 million will be borne by the Selling Shareholder as stated above and approximately HK\$15.0 million will be charged to our profit or loss. Listing expenses of approximately HK\$2.7 million were charged to the profit or loss for the three months ended 30 June 2014 and an additional amount of approximately HK\$12.3 million will be charged to the profit or loss for the year ending 31 March 2015. Expenses in relation to the Listing are non-recurring in nature. The Board wishes to inform our Shareholders and potential investors that our Group's financial performance and results of operations for the year ending 31 March 2015 will be significantly affected by the estimated expenses in relation to the Listing.

We had pending civil proceedings that were brought against us as at the Latest Practicable Date. In addition, we may be a party to legal proceedings from time to time and we cannot assure you that such legal proceedings will not have a material adverse impact on our business

During the Track Record Period and as at the Latest Practicable Date, we are a party to certain civil proceedings in respect of, among others, employees' compensation claims and personal injuries claims. We may also receive claims in respect of various matters from our customers, subcontractors, workers and other parties concerned with our projects from time to time. During the Track Record Period, we encountered several incidents of disputes or litigations arising out of our operations which did not and are not expected to have material effect on our business and/or financial position. Please refer to the section "Business — Litigation and Claims" for further information.

Should any claims against us fall outside the scope and/or limit of insurance coverage, our financial position may be adversely affected. Regardless of the merits of any outstanding and potential claims, we need to divert management resources and incur extra costs to handle these claims, which could affect our corporate image and reputation in the foundation and substructure construction industry if they are published by the press. If the aforesaid claims are successfully made against our Group, it would result in the incurring of legal costs, which in turn could adversely affect our turnover, results of operations and financial position.

Due to the nature of our business, we may become involved in disputes and litigations relating to, among other things, contractual disputes with customers or subcontractors, labour disputes, workers' compensation, and safety, environmental or other legal requirements. Legal proceedings can be time-consuming, expensive, and may divert management resources from the operations of our business. The legal proceedings to which we are a party or may in the future become a party may have a material and adverse impact on our business.

RISK FACTORS

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

CS Engineering and CS Machinery, our principal operating subsidiaries incorporated in Hong Kong, have on various occasions been involved in a number of non-compliance matters. These include, among others, non-compliance with certain conditions and terms with the Government leases and outline zoning plan with respect to prescribed land use, certain statutory requirements in the Predecessor Companies Ordinance with respect to matters such as timely adoption of audited accounts, late filing of annual return and various forms of notice, the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) with respect to timely filing of notifications in relation to commencement and cessation of employment and the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) with respect to the notifications to the Commissioner of Labour regarding injuries of our employees. For details, please refer to the section "Business — Non-compliance".

There is no assurance that the relevant authorities would not take any enforcement action against CS Engineering or CS Machinery and its directors in relation to the non-compliance. In the event that such enforcement action is taken, our reputation, cash flow and results of operations may be adversely affected.

We are exposed to interest rate risk

We had bank loans and overdrafts of approximately HK\$22.3 million as at 30 June 2014 which carry floating interest rate and expose our Group to cash flow interest rate risk which is partially offset by cash held at variable rate. Our bank loans and bank overdrafts carried interest rate ranging from 2.50% to 6.75% per annum for the three years ended 31 March 2012, 2013 and 2014 and for the three months ended 30 June 2014. Our Group has not hedged its cash flow interest rate risks.

As at 31 March 2012, if the interest rate on all borrowings had been 100 basis points higher/lower with all other variables held constant, our Group's loss after tax for the year would have been increased/decreased by approximately HK\$91,000. As at 31 March 2013 and 2014 and 30 June 2014, if the interest rate on all borrowings had been 100 basis points higher/lower with all other variables held constant, our Group's profit after tax for the respective year or period would have been decreased/increased by approximately HK\$85,000, HK\$153,000 and HK\$187,000 respectively, mainly as a result of higher/lower interest expense on borrowings with floating interest rates. If the applicable floating interest rates increase in the future, our Group's earnings and liquidity may be adversely affected.

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

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

RISK FACTORS

operating results of our Group. The acceleration works will inevitably incur additional costs. In addition, we are subject to other construction risks such as fire, suspension of water and electricity supplies which may not only affect our work progress but also pose risks on our properties kept at the construction sites.

We are exposed to environmental liability

Our operations is subject to environmental regulations pursuant to the laws of Hong Kong. For details, please refer to the section “Regulatory Overview”. Such environmental regulations may change from time to time to reflect the latest environmental requirements and any changes may increase the cost incurred by our Group for the due compliance.

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

Certain types of liabilities, such as liabilities arising from acts of God or other natural disasters, are generally not insured because they are either uninsurable or it is not cost justifiable to insure against such risks. In the event that an uninsured liability arises, we may suffer losses which may adversely affect our financial position.

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

Our Group did not declare any dividend for the three years ended 31 March 2012, 2013 and 2014. During the three months ended 30 June 2014 and subsequent to 30 June 2014, CS Engineering declared dividends of HK\$16.0 million and HK\$60.0 million, respectively to Mr. Leung and Mr. Kwan, the then shareholders, and as at the Latest Practicable Date the declared dividends of HK\$56.0 million were paid from our internal resources and the remaining declared dividend of HK\$20.0 million is expected to be paid from our internal resources prior to Listing. Any declaration of dividends proposed by our Directors and the amount of any such dividends will depend on various factors, including, without limitation, our results of operations, financial condition, future prospects and other factors which our Directors may determine important. For details of the dividend policy of our Company, please see the section “Financial Information — Dividend Policy”. We cannot guarantee if and when dividends will be paid in the future.

RISKS RELATING TO OUR INDUSTRY

We rely on the availability of the construction projects in Hong Kong

Our results of operations are affected by the number and availability of construction projects in Hong Kong, which in turn are affected by various factors, including but not limited to the general economic conditions in Hong Kong, changes in government policies relating to the Hong Kong property markets, the general conditions of the property markets in Hong Kong, and the amount of investment in the construction of new infrastructure and improvement of existing infrastructure.

A downturn in the construction industry may result in a significant decrease in the number of projects available in Hong Kong. For instance, an economic downturn in Hong Kong, an outbreak of epidemic disease, and/or adverse government policies on the property markets in Hong Kong may lead to a significant decline in the number of housing construction projects.

RISK FACTORS

There is no assurance that the number of construction projects will not decrease in the future. In the event that the availability of foundation and substructure construction projects decreases as a result of the decrease in the number of construction projects in Hong Kong, our business in general and our results of operations may be adversely and materially affected.

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

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

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

Personal injuries, property damages or fatal accidents may occur during the course of execution of our works

In the course of our operations, we require our employees to comply with and implement all the safety measures and procedures as stipulated in our in-house rules. Nevertheless, we cannot guarantee that there will be no violation of rules, laws or regulations by our employees or our subcontractors. Failure to implement safety measures on our work sites may lead to the occurrence of personal injuries, property damage or fatal accidents, which may adversely affect our reputation and our financial position to the extent not covered by insurance.

We operate in a competitive industry

The foundation industry in Hong Kong has a number of participants and is competitive. For instance, there were 134 registered specialist contractors under the foundation works category registered under the Buildings Ordinance as at the Latest Practicable Date. Occasionally, new participants may wish to enter the industry if they have the appropriate skills, local experience, necessary machinery and capital and are granted the requisite licenses by the relevant regulatory bodies. We face competition from other contractors in the submission of tender for construction contracts. Increased competition may result in lower profit margins and loss of market share, resulting in an adverse impact on our profitability and operating results.

RISK FACTORS

RISKS RELATING TO HONG KONG

The state of economy in Hong Kong may deteriorate

Our performance and financial condition is heavily dependent on the state of economy in Hong Kong as our turnover attributable to the Hong Kong market accounted for 100% of our Group's total turnover for the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014. In the event that there is a downturn in the economy of Hong Kong, our results of operations and financial position may be severely affected.

The state of political environment in Hong Kong may be unstable

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

RISKS RELATING TO THE SHARE OFFER AND OUR SHARES

Investors will experience immediate dilution

Because the Offer Price of our Shares is higher than the net tangible book value per Share immediately prior to the Share Offer, purchasers of our Shares in the Share Offer will experience an immediate dilution in the unaudited pro forma adjusted net tangible assets value to approximately HK\$0.18 per Share, based on the Offer Price of HK\$0.60 per Share.

There has been no prior public market for the Share and the liquidity, market price and trading volume of the Share may be volatile

Prior to the Listing, there is no public market for the Shares. The listing of, and the permission to deal with, the Shares on the Stock Exchange do not guarantee the development of an active public market or the sustainability thereof following completion of the Share Offer. Factors such as variations in our Group's turnovers, earnings and cash flows, strategic alliances or acquisitions made by our Group or its competitors, industrial or environmental accidents happened to our Group, loss of key personnel, litigation, fluctuations in the market prices for the products or the raw materials of our Group, the liquidity of the market for the Shares, the general market sentiment regarding the foundation and substructure construction industry could cause the market price and trading volume of the Shares to change substantially. In addition, both the market price and liquidity of the Shares could be adversely affected by factors beyond our Group's control and unrelated to the performance of our Group's business, especially if the financial market in Hong Kong experiences a significant price and volume fluctuation. In such cases, investors may not be able to sell their Shares at or above the Placing Price.

RISK FACTORS

Investors may experience dilution if our Group issues additional Shares in the future

Our Group may issue additional Shares upon exercise of options to be granted under the Share Option Scheme in the future. The increase in the number of Shares outstanding after the issue would result in the reduction in the percentage ownership of the Shareholders and may result in a dilution in the earnings per Share and net asset value per Share.

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

Any disposal by the Controlling Shareholders of a substantial number of Shares in the public market could materially and adversely affect the market price of the Shares

There is no guarantee that the Controlling Shareholders will not dispose of their Shares following the expiration of their respective lock-up periods after the Listing. Our Group cannot predict the effect, if any, of any future sales of the Shares by any of the Controlling Shareholders, may have on the market price of the Shares. Sales of a substantial number of Shares by any of the Controlling Shareholders or the market perception that such sales may occur could materially and adversely affect the prevailing market price of the Shares.

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

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

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

Future issue of Shares by our Company or the disposal of Shares by any of the Shareholders or the perception that such issues or sale may occur, may negatively impact the prevailing market price of the Shares. We cannot give any assurance that such event will not occur in the future.

RISK FACTORS

RISKS RELATING TO THIS PROSPECTUS

Statistics and industry information contained in this prospectus may not be accurate and should not be unduly relied upon

Certain facts, statistics, and data presented in the section “Industry Overview” and elsewhere in this prospectus relating to the industry in which we operate have been derived, in part, from various publications and industry-related sources prepared by government officials or independent third parties. In addition, certain information and statistics set forth in this section have been extracted from a market research report commissioned by us and prepared by IPSOS, an independent market research agency. Our Company believes that the sources of the information are appropriate sources for such information, and the Sponsor and our Directors have taken reasonable care to extract and reproduce the publications and industry-related sources in this prospectus. In addition, our Company has no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However, neither our Group, our Directors, the Sponsor, nor any parties involved in the Share Offer have independently verified, or make any representation as to, the accuracy of such information and statistics. It cannot be assured that statistics derived from such sources are prepared on a comparable basis or that such information and statistics are stated or prepared at the same standard or level of accuracy as, or consistent with, those in other publications within or outside Hong Kong. Accordingly, such information and statistics may not be accurate and should not be unduly relied upon.

Our Group’s future results could differ materially from those expressed in or implied by the forward-looking statements

Included in this prospectus are various forward-looking statements that are based on various assumptions. Our Group’s future results could differ materially from those expressed in or implied by such forward-looking statements. For details of these statements and the associated risks, please refer to the section “Forward-Looking Statements”.

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

Prior to the publication of this prospectus, there may be press or other media, which contains certain information referring to us and the Share Offer that is not set out in this prospectus. We wish to emphasise to potential investors that neither we nor any of the Sponsor, the Bookrunner and the Lead Manager and the Underwriter, our directors, officers, employees, advisers, agents or representatives of any of them, or any other parties (collectively, the “Professional Parties”) involved in the Share Offer has authorised the disclosure of such information in any press or media, and neither the press reports, any future press reports nor any repetition, elaboration or derivative work were prepared by, sourced from, or authorised by us or any of the Professional Parties. Neither we nor any Professional Parties accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any

RISK FACTORS

such information is not contained in this prospectus or is inconsistent or conflicts with the information contained in this prospectus, we disclaim any responsibility, liability whatsoever in connection therewith or resulting therefrom. Accordingly, prospective investors should not rely on any such information in making your decision as to whether to subscribe the Offer Shares. You should rely only on the information contained in this prospectus and the Application Forms.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

UNDERWRITING

This prospectus is published solely in connection with the Public Offer which forms part of the Share Offer. Details of the terms of the Share Offer are described in the section “Structure and Conditions of the Share Offer” and in the related Application Forms.

The Listing is sponsored by Sponsor and the Share Offer is lead managed by the Lead Manager. The Public Offer is fully underwritten by the Public Offer Underwriter and the Placing is expected to be fully underwritten by the Placing Underwriter.

RESTRICTIONS ON SALE OF THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any such circumstances such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

The distribution of this prospectus or the related Application Forms and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered or sold, directly or indirectly, in the PRC or the United States, except in compliance with the relevant laws and regulations of each of such jurisdictions.

No action has been taken to register or qualify the Offer Shares or the Share Offer, or otherwise to permit a public offering of the Offer Shares, in any jurisdiction outside Hong Kong. The distribution of this prospectus and the related Application Forms in jurisdictions outside Hong Kong may be restricted by law and therefore persons into whose possession this prospectus or any of the related Application Forms comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the applicable securities laws.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Each person acquiring the Offer Shares will be required to confirm, or be deemed by his or her or its acquisition of the Offer Shares to have confirmed, that he or she or it is aware of the restrictions on offer of the Offer Shares described in this prospectus.

Prospective applicants for the Offer Shares should consult their financial advisors and seek legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws, rules and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should also inform themselves as to the relevant legal requirements and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including any Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme).

No part of the share or loan capital of our Company is listed, traded or dealt in on any stock exchange and save as disclosed herein, no such listing or permission to deal is being or proposed to be sought.

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

HONG KONG SHARE REGISTRAR AND STAMP DUTY

All the Offer Shares will be registered on the Hong Kong branch register of members to be maintained by Tricor Investor Services Limited. Dealings in the Offer Shares registered on our Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty. Dealings in the Shares registered on the principal register of members of our Company maintained by Appleby Trust (Cayman) Ltd. in the Cayman Islands will not be subject to the Cayman Islands stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential applicants for the Share Offer are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in the Shares or exercising their rights thereunder. It is emphasised that none of our Company, our Directors, the Sponsor, the Underwriter, their respective directors or any other person involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, holders of Shares resulting from the subscription for, holding, purchase, disposal of or dealing in the Offer Shares or the exercise of their rights thereunder.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF SHARES

We have instructed Tricor Investor Services Limited, our Hong Kong Branch Share Registrar, and it has agreed, not to register the subscription, purchase or transfer of any Shares in the name of any particular holder unless and until the holder delivers a signed form to our Hong Kong Branch Share Registrar in respect of those Shares bearing statements to the effect that the holder:

- agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the Companies Law and our Articles of Association;
- agrees with us and each of our Shareholders that the Shares are freely transferable by the holders thereof; and
- authorises us to enter into a contract on his or her behalf with each of our Directors, managers and officers whereby such Directors, managers and officers undertake to observe and comply with.

ROUNDING

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

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Details of the structure of the Share Offer are set out in the section “Structure and Conditions of the Share Offer”.

PROCEDURES FOR APPLICATION FOR PUBLIC OFFER SHARES

The procedure for applying for the Public Offer Shares is set out in the section “How to Apply for Public Offer Shares” and on the related Application Forms.

OFFER SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares and our Company’s 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, under contingent situation, any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

All necessary arrangements have been made for the Shares to be admitted into CCASS. If investors are unsure about the details of CCASS settlement arrangement and how such arrangements will affect their rights and interests, they should seek the advice of their stockbroker or other professional adviser.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares are expected to commence on or about Monday, 29 December 2014. The Shares will be traded in board lots of 5,000 Shares each.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. If there is any inconsistency between the Chinese names of the Chinese entities mentioned in this prospectus and their English translation, the Chinese names shall prevail.

CURRENCY TRANSLATIONS

Unless otherwise specified, conversion of US\$ into HK\$ in this prospectus is based on the exchange rate set out below (for illustration purposes only):

US\$1.00 : HK\$7.80

No representation is made that any amounts in US\$ and HK\$ can be or could have been converted at the relevant dates at the above exchange rate at any other rate or at all.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors</i>		
LEUNG Kam Chuen (梁錦泉)	Flat B, 21/F, Tower 8 The Palazzo 28 Lok King Street Sha Tin, N.T.	Chinese
KWAN Wai Ming (關偉明)	Flat G, 17/F Block 12, South Horizons Ap Lei Chau Hong Kong	Chinese
LO Ka Lung (盧家龍)	Block F, 3/F Gallant Court 240-246 Prince Edward Road West Kowloon City Kowloon	British
<i>Independent non-executive Directors</i>		
CHEUNG, Kwok Yan Wilfred (張國仁)	Flat C2, 2/F Elite Villa 15-17 Tat Chee Ave Yau Yat Chuen Kowloon	Chinese
Prof. LAM Sing Kwong Simon (林誠光)	Flat 5A, Block 2 Pine Court 23 Sha Wan Drive Pok Fu Lam Hong Kong	Chinese
WONG Fong (王芳)	25B Tower 1 Hillsborough Court 18 Old Peak Road Mid-Levels, Hong Kong	Chinese

For details of our Directors and senior management, please refer to the section “Directors and Senior Management”.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED

Sponsor

Messis Capital Limited

A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

Room 1606, 16th Floor, Tower 2

Admiralty Centre

18 Harcourt Road

Hong Kong

Bookrunner, Lead Manager and Underwriter

Orient Securities Limited

A licensed corporation to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO

Rooms 2801-2804

28/F Dah Sing Financial Centre

108 Gloucester Road

Wan Chai

Hong Kong

Legal advisers to our Company

As to Hong Kong law

Loong & Yeung

Solicitors, Hong Kong

Suites 2001-2006, 20th Floor

Jardine House

1 Connaught Place

Central, Hong Kong

As to Cayman Islands law

Appleby

Cayman Islands attorneys-at-law

2206-19 Jardine House

1 Connaught Place

Central

Hong Kong

Legal advisers to the Sponsor, the Bookrunner, the Lead Manager and the Underwriter

As to Hong Kong law

Pang & Co.

in association with Loeb & Loeb LLP

Solicitors, Hong Kong

21st Floor

CCB Tower

3 Connaught Road Central

Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Reporting accountants

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road, Central
Hong Kong

Internal Control Consultant

CT Partners Consultants Limited
Unit 1008, 10/F, Winfield Commercial Building
6-8A Prat Avenue
Tsimshatsui
Kowloon

CORPORATE INFORMATION

Registered office	Appleby Trust (Cayman) Ltd. Clifton House 75 Fort Street PO Box 1350 Grand Cayman KY1-1108 Cayman Islands
Headquarters and principal place of business in Hong Kong	Unit 2307-08, 23/F. Elite Centre 22 Hung To Road Kwun Tong Kowloon, Hong Kong
Company secretary	WOO Yuen Fai (胡遠輝) <i>Certified Public Accountant</i> Flat C, 7/F Kwong Wah Centre 36 Fau Tsoi Street Yuen Long, New Territories
Compliance adviser	Messis Capital Limited <i>A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO</i> Room 1606, 16th Floor, Tower 2 Admiralty Centre 18 Harcourt Road Hong Kong
Authorised representatives	WOO Yuen Fai (胡遠輝) <i>Certified Public Accountant</i> Flat C, 7/F Kwong Wah Centre 36 Fau Tsoi Street Yuen Long, New Territories KWAN Wai Ming (關偉明) Flat G, 17/F Block 12, South Horizons Ap Lei Chau Hong Kong
Members of Audit Committee	CHEUNG, Kwok Yan Wilfred (張國仁) (<i>Chairperson</i>) Prof. LAM Sing Kwong Simon (林誠光) WONG Fong (王芳)

CORPORATE INFORMATION

Members of Remuneration Committee	Prof. LAM Sing Kwong Simon (林誠光) (<i>Chairperson</i>) KWAN Wai Ming (關偉明) WONG Fong (王芳)
Members of Nomination Committee	LEUNG Kam Chuen (梁錦泉) (<i>Chairperson</i>) CHEUNG, Kwok Yan Wilfred (張國仁) Prof. LAM Sing Kwong Simon (林誠光)
Cayman Islands principal share registrar and transfer office	Appleby Trust (Cayman) Ltd. Clifton House 75 Fort Street PO Box 1350 Grand Cayman KY1-1108 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal banks	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
Company website	http://www.cseng.com.hk (information of this website does not form part of this prospectus)
Receiving bank	Bank of Communications Co., Ltd. Hong Kong Branch 20 Pedder Street Central Hong Kong

INDUSTRY OVERVIEW

This and other sections of this prospectus contain information relating to the industry in which we operate. Certain information and statistics contained in this section have been derived from various official and publicly available sources. In addition, certain information and statistics set forth in this section have been extracted from a market research report commissioned by us and prepared by IPSOS, an independent market research agency. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information or statistics is false or misleading in any material respect of that any fact has been omitted that would render such information or statistics false or misleading in any material respect. However, such information and statistics have not been independently verified by us, the Sponsor, the Bookrunner, the Lead Manager, any of the Underwriter, our or their respective directors and officers or any other parties involved in the Share Offer. No representation is given as to the accuracy or completeness of such information and statistics.

SOURCES OF INFORMATION

We commissioned IPSOS, an independent market research consulting firm, to conduct an analysis of, and to report on, the foundation and substructure construction industry in Hong Kong for the period from 2009 to 2018. A total fee of HK\$308,000 was paid to IPSOS for the preparation of the IPSOS Report. The IPSOS Report has been prepared by IPSOS independent of our Group's influence. The information and statistics set forth in this section have been extracted from the IPSOS Report. The payment of such amount was not conditional on our Group's successful listing or on the results of the IPSOS Report.

IPSOS has been engaged in a number of market assessment projects in connection with initial public offerings in Hong Kong. IPSOS is part of a group of companies which employs approximately 16,000 personnel worldwide across 85 countries. IPSOS conducts research on market profiles, market sizes and market share and performs segmentation analysis, distribution and value analysis, competitor tracking and corporate intelligence.

The IPSOS Report includes information on the foundation and substructure construction industry in Hong Kong. The information contained in the IPSOS Report is derived by means of data and intelligence gathering which include: (i) desk research; (ii) client consultation; and (iii) primary research, including interviews with key stakeholders and industry experts including pile caps construction and ELS work companies, foundation work companies, main contractors, developers, architects, civil engineering work companies, industry experts and associations in Hong Kong, etc.

Information gathered by IPSOS has been analysed, assessed and validated using IPSOS in-house analysis models and techniques. According to IPSOS, this methodology guarantees a full circle and multilevel information sourcing process, where information gathered can be cross-referenced to ensure accuracy.

All statistics are based on information available as at the date of the IPSOS Report. Other sources of information, including government, trade associations or marketplace participants, may have provided some of the information on which the analysis or data is based.

ASSUMPTIONS AND PARAMETERS USED IN THE IPSOS REPORT

Analyses in the IPSOS Report are based on the following assumptions:

- It is assumed that there is no external shock such as financial crisis or natural disasters to affect the demand and supply of the foundation and substructure construction industry over the forecast period.

INDUSTRY OVERVIEW

- The supply of foundation and substructure construction industry is expected to grow under government promotion such as the increase in housing supply, the Ten Major Infrastructure Projects, urban renewal projects, etc.

The following parameters have been taken into account in the IPSOS Report:

- GDP value and GDP growth rate in Hong Kong from 2009 to 2018.
- Gross output value of construction works performed by main contractors and subcontractors at construction sites in Hong Kong from 2009 to 2013.
- Public expenditure on infrastructure in Hong Kong from 2009 to 2013.
- Total number of public rental housing units produced by the Housing Authority in Hong Kong from 2009 to 2013.
- Total number of private residential housing units in new completions in Hong Kong from 2009 to 2013.
- Total number of private building construction projects in new completions in Hong Kong from 2009 to 2013.
- Price trend of construction materials such as steel reinforcements and concrete in Hong Kong from 2009 to 2013.
- Price trend of construction worker wages in Hong Kong from 2009 to 2013.

CONSTRUCTION INDUSTRY OVERVIEW

The construction industry has contributed approximately 3.0% to 3.5% to the total gross domestic product of Hong Kong during the period between 2009 and 2013. The total gross output value of construction works performed by main contractors at construction sites increased from approximately HK\$52.3 billion in 2009 to approximately HK\$111.4 billion in 2013, representing a CAGR of approximately 20.8%.

The value of construction projects commissioned by the public and private sectors increased from approximately HK\$18.7 billion to approximately HK\$62.0 billion and from approximately HK\$33.6 billion to approximately HK\$49.4 billion, respectively. The CAGR of value of construction projects commissioned by the public sector was about 35.0% and about 10.1% for the private sector in recent 5 years.

Contractor of the construction industry

In general, construction projects originate from the land owners or property developers or government departments. Both the land owners and property developers will obtain ownership of land through auctions for land sites from the government and the main contractors will source the construction projects from these land owners or property developers or government departments to conduct construction works of various nature, such as starting from site formation, piling, demolition, erection of architectural superstructure and structural alteration. Depending on the scope of the project, some of the key main contractors will decide to outsource to other subcontractor.

The total gross output value of construction works performed by main contractors and subcontractors at construction sites in Hong Kong reached about HK\$135.2 billion in 2013, and among this total, about 17.6% was the gross output value of construction works performed by subcontractors.

INDUSTRY OVERVIEW

Gross output value of construction works performed by main contractors and subcontractors at construction sites in Hong Kong from 2009 to 2013



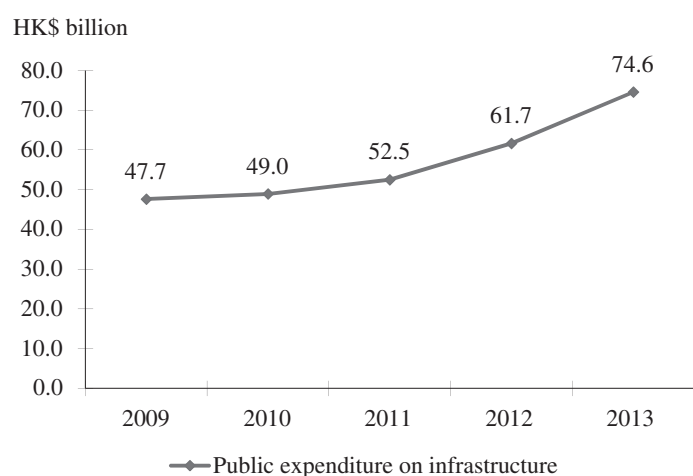
Source: IPSOS Report

Ten Major Infrastructure Projects

The “Ten Major Infrastructure Projects” include South Island Line, Lok Ma Chau Loop, Sha Tin to Central Link, West Kowloon Cultural District, Tuen Mun-Chek Lap Kok Link and Tuen Mun Western Bypass, Kai Tak Development, Guangzhou—Shenzhen—Hong Kong Express Rail Link, Hong Kong-Zhuhai-Macao Bridge, North East New Territories New Development Areas and Hong Kong-Shenzhen Western Express Line. These “Ten Major Infrastructure Projects” aimed to increase Hong Kong’s competitiveness by promoting economic development and creating more employment opportunities, particularly in the construction industry.

The public expenditure on infrastructure in Hong Kong surged from approximately HK\$47.7 billion in 2009 to approximately HK\$74.6 billion in 2013, representing a CAGR of approximately 11.8%. The continual growth in Hong Kong’s public expenditure on infrastructure was mainly attributed to the announced “Ten Major Infrastructure Projects” in 2007 Policy Address.

Public expenditure on infrastructure in Hong Kong from 2009 to 2013



Source: IPSOS Report

INDUSTRY OVERVIEW

FOUNDATION AND SUBSTRUCTURE CONSTRUCTION INDUSTRY

Foundation and substructure construction works have been the fundamental part of the construction industry in Hong Kong. The foundation and substructure construction industry is significant to the overall construction industry in Hong Kong as it is a crucial part of foundation project; while foundation works segment is a fundamental part of any construction project. The quality of the foundation and substructure construction works is particularly important to the safety of the building, as the superstructure works are performed above the foundation or the supporting layer. Without foundation and substructure construction, there would not be a secure supporting layer for which superstructure works can be built upon. There are different types of foundation and substructure construction works, which primarily involve pile caps construction and ELS works, which are common in Hong Kong.

The gross output value of foundation industry from 2009 to 2013 increased from HK\$6,812.3 million to HK\$18,603.0 million, at a CAGR of 28.5%; while the gross output value of foundation and substructure construction works grew from an estimated HK\$681.2 million to an estimated HK\$1,770.9 million during 2009 and 2013, representing a CAGR of about 27.0%. The gross output value of foundation and substructure construction works contributed a yearly average of about 1.4% to the total construction work in Hong Kong from 2009 to 2013.

The growth in the foundation and substructure construction industry was primarily driven by the “Ten Major Infrastructure Projects”. According to the 2014-15 Budget Speech, the government of Hong Kong will invest about HK\$78.2 billion on infrastructure between 2014 and 2015, in addition to the ongoing “Ten Major Infrastructure Projects”.

Licenses requirement on foundation and substructure construction works

The main contractors carrying out foundation and substructure construction works are required to register or work together with contractors who are registered on either the list of register of general building contractors or the list of register of specialist contractors (sub-register of foundation works category) with the Buildings Department. In addition, subcontractors, including foundation and substructure construction subcontractors, in Hong Kong are encouraged by the government of Hong Kong to register under the SRS.

In June 2014, there were about 103 foundation and substructure construction works service providers registered under the SRS.

DEMAND FOR FOUNDATION AND SUBSTRUCTURE CONSTRUCTION

Due to the population growth in Hong Kong, the demand for housing increases accordingly. In response to the demand for housing in Hong Kong, the government of Hong Kong stipulated in the 2013 and 2014 Policy Address that about 150 sites in Hong Kong are reserved for residential development in the next 5 years, which could potentially provide about 210,000 public and private housing units in Hong Kong. In addition, the government of Hong Kong is also redeveloping old public housing estates, which is estimated to provide about 11,900 additional units of public rental housing in the coming years. These policies will serve as the major growth drivers of the foundation and substructure construction industry in Hong Kong.

The government of Hong Kong also increased the land sales in Hong Kong from about 46,355.5 square meters in 2009 to about 384,065.0 square meters in 2013, representing a CAGR of about 69.7%. The increase in the land sales is indicative of the increase in the number of new construction projects, including foundation and substructure construction projects, in Hong Kong in the coming years, directly benefitting the foundation and substructure construction industry in Hong Kong.

INDUSTRY OVERVIEW

Turnover from foundation and substructure construction industry

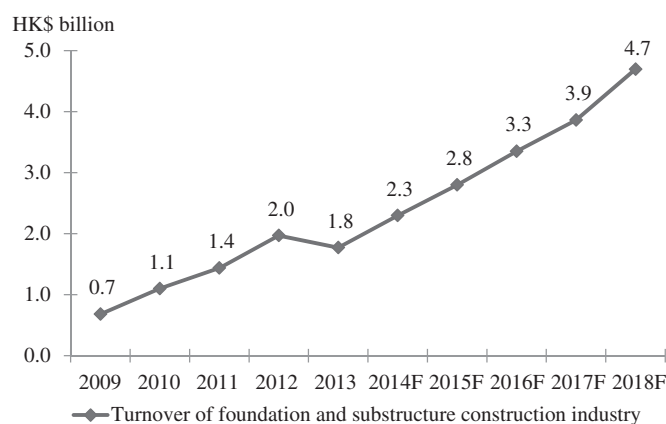
The turnover of foundation and substructure construction industry in Hong Kong grew from approximately HK\$0.7 billion in 2009 to approximately HK\$1.8 billion in 2013 at a CAGR of about 27.0%.

The turnover of foundation and substructure construction industry experienced a slight drop in 2013 as the foundation and substructure construction works of some infrastructure projects, such as the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, were completed in early 2013 or before, while the foundation and substructure construction works of other infrastructure projects, such as New Development Areas (NDAs) in the North East New Territories and Hung Shui Kiu NDA, will only be commenced 2014 onwards.

The turnover of foundation and substructure construction industry in Hong Kong is expected to increase at a CAGR of about 19.6% from approximately HK\$2.3 billion in 2014 to approximately HK\$4.7 billion in 2018.

The “Ten Major Infrastructure Projects” coupled with the new development area in the eastern and northern parts of the New Territories, Wan Chai Development, and new MTR lines and MTR extension projects, will drive growth for foundation and substructure construction industry in Hong Kong from 2014 to 2018.

Turnover of foundation and substructure construction industry in Hong Kong from 2009 to 2018



Source: IPSOS Report

CONSTRUCTION COSTS

Historical price of construction workers

The construction industry in Hong Kong is suffering from labor shortage exacerbated by an ageing workforce and lack of skilled talent. Due to the lack of career prospects, the labor intensive nature of the industry and an ageing workforce, the Hong Kong construction industry is facing a shortage in labor supply in the midst of the ongoing construction projects. Despite the increasing number of registered laborers in the construction industry, from about 268,000 in 2009 to about

INDUSTRY OVERVIEW

322,000 in 2013, only about 70,000 registered laborers in May 2014 are active, providing an activity rate of approximately 21.9%. The proportion of workers above the age of 50 has also increased from about 36.6% in 2009 to about 44.8% in 2013, coupled with the proportion of workers under the age of 40 decreasing from about 34.0% in 2009 to about 31.4% in 2013.

The average wage of construction worker in Hong Kong increased from an estimated HK\$61.8 per hour to an estimated HK\$74.7 per hour, representing a CAGR of about 4.9%. Rising average wage resulted from shortage of labor, will contribute to a rise in construction costs in Hong Kong, though the government of Hong Kong will continue to train and retrain existing labor as well as attract new joiners in respond to the strong manpower demand from the construction industry.

Price trend of construction worker wages in Hong Kong from 2009 to 2013



Source: IPSOS Report

Historical price of steel reinforcements

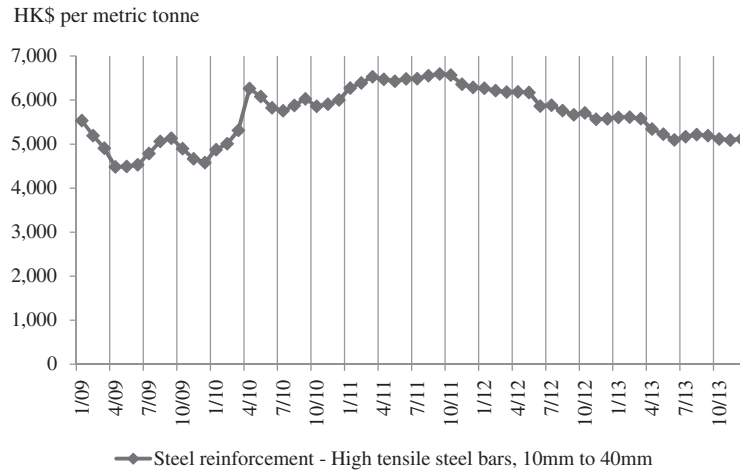
The average wholesale price of steel reinforcements increased from about HK\$4,856.9 per metric tonne in 2009 to about HK\$5,282.2 per metric tonne in December 2013, at a CAGR of about 2.1%. The average price of steel reinforcements peaked at about HK\$6,595.0 per metric tonne in September 2011. The rising trend was mostly due to the strong construction demand in Hong Kong.

The intensifying European debt crisis, together with rising inflation and tightening monetary policy in China brought difficulty in financing which hampered the demand for steel reinforcement from downstream industries, and in particular, the demand for export and industrial production. Therefore, Hong Kong's average price of steel reinforcements started to fall continually from October 2011 to the end of 2013, by about -22.1%.

Because of the fluctuating average wholesale price of steel reinforcement, suppliers of construction materials usually maintain control over steel price through quotation and negotiation as well as tracking and forecasting, in order to lower the impact to their businesses resulting from price volatility.

INDUSTRY OVERVIEW

Price Trend of Steel Reinforcements in Hong Kong from 2009 to 2013



Source: IPSOS Report

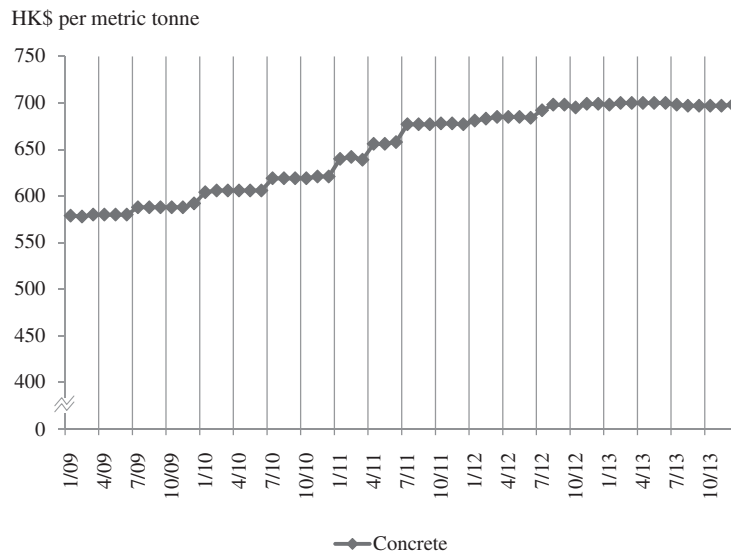
Historical price of concrete

Hong Kong's average wholesale price of concrete had a substantial growth from about HK\$579.0 per metric tonne in January 2009 to about HK\$698.0 per metric tonne in December 2013, representing a CAGR of about 4.6%. The average annual price of concrete in 2009 was the lowest in the past five years, due to the affected supply and demand for concrete resulted from the global financial crisis in 2008.

Over the past five years, the average wholesale price of concrete increased at an average of about 4.6% every year. In particular, it surged the most at about 8.2% in 2011 attributed to the correction of the oversupply of concrete in the market.

The rising price trend was mostly attributed to the appreciation of the RMB which resulted in high commodity prices, as well as the accelerated pace of inflation in Hong Kong and the strong construction demand in Hong Kong, Macau and China.

Price Trend of Concrete in Hong Kong from 2009 to 2013



Source: IPSOS Report

INDUSTRY OVERVIEW

COMPETITIVE LANDSCAPE AND ENTRY BARRIERS OF THE INDUSTRY IN HONG KONG

The service providers in the foundation and substructure construction industry in Hong Kong mainly compete on (i) reputation and track record; (ii) long-term relationship with customers; (iii) flexibility; and (iv) price. However, there are also entry barrier for companies to get into the foundation and substructure construction industry including (i) specialist knowledge and qualification; (ii) relationship with main contractors and/or other foundation subcontractors; and (iii) substantial initial and continued capital.

For details on the competitive landscape and entry barriers of the industry in Hong Kong, please refer to section “Business — Market Competition and Entry Barriers in Hong Kong”.

Competitive strength of our Group in the foundation and substructure construction industry

Our Directors believe that we compete favourably with our competitors given our various competitive strengths as detailed in the section “Business — Competitive Strengths”.

Opportunities and threats to the foundation and substructure construction industry

The increase in the housing supply in Hong Kong

The government of Hong Kong has launched a number of policies to increase mid to long term housing supply in Hong Kong, in response to strong public demand. These policies will bring in a lot of demands for construction works in Hong Kong in the coming years, including the foundation and substructure construction works, serving as one of the main growth drivers for the industry.

Redevelopment projects in Hong Kong

Hong Kong is one of the most populated cities in the world. In order to generate more land, the government of Hong Kong has been reclaiming the sea and building on slopes. One of the approaches to gather more land is to redevelop old housing estates in order to build new ones that can accommodate more households. The government of Hong Kong has plans to redevelop old public housing estates, such as Wah Fu Estate. The development projects are estimated to provide about 11,900 units of public rental housing and home ownership scheme in the coming 5 years. Such redevelopment will also directly drive the demand for the construction works in Hong Kong, including the foundation and substructure construction works, benefitting the entire industry.

The infrastructure development plans in Hong Kong

With an aim to upgrade Hong Kong, the government of Hong Kong has been executing the long term infrastructure construction plans, “Ten Major Infrastructure Projects”, including the Hong Kong-Zhuhai-Macau Bridge and the Shatin-Central Link and about HK\$78,165 million is estimated to be spent on public infrastructure according to the 2014 to 2015 Budget Speech.

INDUSTRY OVERVIEW

Insufficient experienced and skilled labor

There is insufficient experienced and skilled labor in the construction industry as well as the foundation and substructure construction industry in Hong Kong. The causes include the decline in the number of labor in the industry, resulted from decreasing young people entering the construction industry and the retirement of ageing labor, as well as the increase in the demand for construction in Hong Kong.

Rising construction costs

As the construction raw materials are generally imported from China, the appreciation of Renminbi appreciated against Hong Kong Dollars added to the increase in the construction cost.

Top 5 foundation and substructure construction work companies in Hong Kong

Rank	Name of Company	Headquarter Location	Turnover in 2013 (HK\$ million)	Share of Total Industry Turnover (%)	Number of Projects in 2013	Key Product and Service Scope
1	Company A	Hong Kong	693	3.7	19	Site formation, ELS, civil and foundation works
2	CS Engineering	Hong Kong	452	2.4	22	ELS and foundation works
3	Company B	Hong Kong	352	1.9	35	Foundation, piling and pile caps construction works
4	Company C	Hong Kong	181	1.0	11	ELS, piling and pile caps construction works
5	Company D	Hong Kong	167	0.9	20	Excavation, pile caps construction and drainage works
	Others		<u>16,758</u>	<u>90.1</u>		
	Total		<u>18,603</u>	<u>100.0</u>		

FUTURE TRENDS AND DEVELOPMENT OF THE FOUNDATION AND SUBSTRUCTURE CONSTRUCTION INDUSTRY

Offer one-stop foundation and substructure construction works

Foundation and substructure construction works service providers do not only focus on pile caps construction and ELS works. Rather, they tend to provide one-stop foundation and structure works including pile caps construction, ELS works, site formation works, piling works, earthworks and site preparation works.

Providing one-stop foundation and substructure works may help the foundation and substructure works service providers in capturing the potential market share.

INDUSTRY OVERVIEW

The government of Hong Kong is encouraging all construction subcontractors in Hong Kong to register with the SRS

With an aim to improve the construction industry practices, such as late wage payment and injury responsibilities, among subcontractors in Hong Kong, the government of Hong Kong has launched the SRS. A number of government bodies, such as the Airport Authority and the Housing Authority, require their main contractors to only subcontract works to registered subcontractors. The scheme will eventually be mandatory to all subcontractors according to the CIC. As more government bodies reserve their works to registered subcontractors, a stricter registration requirement will directly benefit registered subcontractors in the foundation and substructure construction industry in Hong Kong.

In June 2014, there were about 103 foundation substructure construction works service providers registered under the SRS, including our Group.

More internal trainings to their workers

More trainings, especially internal trainings, have been provided by the foundation and substructure construction works service providers to their workers in order to enhance the work safety as well as the efficiency.

REGULATORY OVERVIEW

THE LAWS AND REGULATIONS OF HONG KONG

This section summarises the principal laws and regulations of Hong Kong which are relevant to our Group's business. As this is a summary, it does not contain the detailed analysis of the Hong Kong laws which are relevant to our Group's business.

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

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

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

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

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

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

REGULATORY OVERVIEW

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

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

An employer who fails to comply with any of the above provisions intentionally, knowingly or recklessly commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for 6 months.

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

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

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

REGULATORY OVERVIEW

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

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

Pursuant to Section 40 of the Employees' Compensation Ordinance, all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). Under Section 40(1B) of the Employees' Compensation Ordinance, 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. Where a principal contractor has taken out a policy of insurance under Section 40(1B) of the Employees' Compensation Ordinance, the principal contractor and a subcontractor insured under the policy shall be regarded as having complied with Section 40(1) of the Employees' Compensation Ordinance.

An employer who fails to comply with the Employees' Compensation Ordinance to secure an insurance cover is liable on conviction upon indictment to a fine of HK\$100,000 and to imprisonment for 2 years.

Builders' Lifts and Tower Working Platforms (Safety) Ordinance (Chapter 470 of the Laws of Hong Kong)

The Builders' Lifts and Tower Working Platforms (Safety) Ordinance provides for the design, construction, installation and maintenance in safe working order of builders' lifts and tower working platforms, for the examination and testing of such lifts and platforms and other related matters. The owner of a builder lift or tower working platform shall ensure that the requirements under the Ordinance, such as maintenance and support are complied with.

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

The Construction Workers Registration Ordinance provides for the registration of construction worker and related matters. Generally it prohibits unregistered construction workers carrying out on construction sites construction work and prohibits against employing unregistered construction workers to carry out on construction sites construction work. It also prescribes the establishment of a Construction Workers Registration Authority for the registration of construction workers.

REGULATORY OVERVIEW

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

Pursuant to Section 43C of the Employment Ordinance, if any wages become due to the 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 wages shall be payable by the principal contractor and/or every superior subcontractor jointly and severally. However, such payment of wages is recoverable from the subcontractor pursuant to Section 43F of the Employment Ordinance.

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

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

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

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 having illegal immigrants from being on site; or (ii) prevent illegal workers who are not lawfully employable from taking employment on site.

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

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

The Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate (currently set at HK\$30 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance. Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by the Minimum Wage Ordinance is void.

Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong)

The Inland Revenue Ordinance concerns taxation matters. In the context of employment, the employer must give notice to the Inland Revenue Department regarding for example commencement and cessation of employments.

REGULATORY OVERVIEW

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

A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, including without limitation the Air Pollution Control (Open Burning) Regulation (Chapter 311O of the Laws of Hong Kong), the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong) and the Air Pollution Control (Smoke) Regulations (Chapter 311C of the Laws of Hong Kong). 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. Asbestos control provisions in the Air Pollution Control Ordinance require that building works involving asbestos must be conducted only by registered qualified personnel and under the supervision of a registered consultant.

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

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

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

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

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

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

REGULATORY OVERVIEW

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

According to the Water Pollution Control Ordinance, unless being licensed under the Water Pollution Control Ordinance, a person who discharges any waste or polluting matter into the waters of Hong Kong in a water control zone or discharges any matter, other than domestic sewage and unpolluted water, into a communal sewer or communal drain in a water control zone commits an offence and is liable to imprisonment for 6 months and (a) for a first offence, a fine of HK\$200,000; (b) for a second or subsequent offence, a fine of HK\$400,000, and in addition, if the offence is a continuing offence, to a fine of HK\$10,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

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

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

A contractor shall observe and comply with the Waste Disposal Ordinance and its subsidiary regulations, including without limitation the Waste Disposal (Charges for Disposal of Construction Waste) Regulation (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 disposal 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.

Contractor Licensing Regime

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

REGULATORY OVERVIEW

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

Subcontractors, including foundation and substructure construction subcontractors, in Hong Kong may apply for registration under the SRS managed by the CIC.

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

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

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

- (a) a minimum of one person appointed by the applicant to act for the applicant for the purposes of the Buildings Ordinance, hereinafter referred to as an ‘Authorised Signatory’;
- (b) for a corporation — a minimum of one director from the board of directors of the applicant, hereinafter referred to as a ‘Technical Director’ who is authorised by the board to:
 - (i) have access to plant and resources;
 - (ii) provide technical and financial support for the execution of building works and street works; and
 - (iii) make decisions for the company and supervise the Authorised Signatory and other personnel;

for the purpose of ensuring that the works are carried out in accordance with the Buildings Ordinance; and

REGULATORY OVERVIEW

- (c) for a corporation which appoints a director who does not possess the required qualification or experience as Technical Director to manage the carrying out of building works and street works — an ‘Other Officer’ authorised by the board of directors to assist the Technical Director.

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

For registration as a registered specialist contractor, the applicant must satisfy the Buildings Department that it has the necessary experience and, where appropriate, professional and academic qualifications, to undertake work in the specialist category and should also demonstrate that it has the access to engaging qualified persons to carry out the relevant specialised duties.

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

COMPANY HISTORY AND REORGANISATION

OVERVIEW

Our Company was incorporated in the Cayman Islands on 15 July 2014 and, as part of the Reorganisation, became the holding company of our Group with its business being conducted through our principal operating subsidiaries, namely CS Engineering and CS Machinery. We are principally engaged in foundation and substructure construction business in Hong Kong. The foundation and substructure services undertaken by us mainly include ELS works, pile caps construction and substructure construction. For details on our corporate structure, please refer to the paragraph “Our Corporate Structure” in this section.

OUR BUSINESS DEVELOPMENT AND CORPORATE HISTORY

Our Group can trace its roots back to 1993 when CS Engineering (formerly known as Chun Sing Transportation Engineering Company Limited) was established by Mr. Leung using his own fund generated from his prior business engagement.

Major developments and milestones

The following table sets out the major developments and milestones of our Group since establishment:

July 1993	CS Engineering was incorporated in Hong Kong on 27 July 1993. The business operation was mainly provision of transportation services.
November 1996	CS Engineering changed its name to Chun Sing Engineering Company Limited (i.e. the present name of CS Engineering).
March 1998	CS Engineering commenced foundation construction business as a subcontractor.
December 1998	CS Machinery was incorporated in Hong Kong on 23 December 1998 to carry on rental of machinery business.
May 1999	CS Engineering commenced ELS works services as a subcontractor.
April 2002	CS Engineering commenced substructure construction business as a subcontractor.
June 2002	Purchase of our first excavator.
December 2004	Purchase of our first excavator of amount over HK\$1 million.
November 2005	CS Engineering commenced foundation construction business as a main contractor.
August 2011	CS Engineering commenced the first foundation and substructure construction project with contract sum of over HK\$200 million.
July 2014	Our Company was incorporated in the Cayman Islands as part of the Reorganisation for the purpose of the Listing.

COMPANY HISTORY AND REORGANISATION

CORPORATE HISTORY

Our Group has a number of direct and indirect subsidiaries incorporated in the BVI and Hong Kong. Details of the members of our Group and their respective corporate history are set out below.

Our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 15 July 2014 with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. Our Company is an investment holding company.

Our Subsidiaries

CS Engineering

CS Engineering was incorporated in Hong Kong with limited liability on 27 July 1993 with the then issued share capital of HK\$2. CS Engineering was principally engaged in provision of transportation services after its incorporation, and commenced foundation construction business in 1998. Upon the incorporation, the shareholding structure of CS Engineering was as follows:

Name of shareholders	Shareholding %
Mr. Leung	50%
Ms. Ngai	<u>50%</u>
Total	<u>100%</u>

On 1 August 1993, 7,999 shares and 1,999 shares of CS Engineering were allotted to Mr. Leung and Ms. Ngai at the consideration of HK\$7,999 and HK\$1,999 respectively. The shareholding structure of CS Engineering after the aforesaid allotment was as follows:

Name of shareholders	Shareholding %
Mr. Leung	80%
Ms. Ngai	<u>20%</u>
Total	<u>100%</u>

COMPANY HISTORY AND REORGANISATION

On 2 February 2000, Mr. Leung transferred his 30% shareholding in CS Engineering to Mr. Yum Yok Cheng at the consideration of HK\$1. On the same day, Ms. Ngai transferred her 20% shareholding in CS Engineering to Mr. Yum Yok Cheng at a consideration of HK\$1. The considerations were arrived at after arm's length negotiations between the parties, taking into account the then nominal amount of the shares of CS Engineering and the potential business opportunities to be brought about to CS Engineering by Mr. Yum Yok Cheng. The shareholding structure of CS Engineering after the aforesaid transfers was as follows:

Name of shareholders	Shareholding %
Mr. Leung	50%
Mr. Yum Yok Cheng	<u>50%</u>
Total	<u>100%</u>

Mr. Leung and Mr. Yum Yok Cheng came to know each other during their prior business engagement. Save as being a former shareholder and a former director of CS Engineering and CS Machinery, Mr. Yum Yok Cheng is an independent third party.

On 12 December 2006, Mr. Yum Yok Cheng transferred his 45% and 5% shareholdings in CS Engineering to Mr. Kwan and Mr. Leung respectively, at the nominal consideration of HK\$1 and HK\$1 respectively. The considerations were arrived at after arm's length negotiations between the parties, taking into account Mr. Yum Yok Cheng's retirement and his initial investment in CS Engineering. The shareholding structure of CS Engineering after the aforesaid transfers was as follows:

Name of shareholders	Shareholding %
Mr. Leung	55%
Mr. Kwan	<u>45%</u>
Total	<u>100%</u>

As part of the Reorganisation, on 22 August 2014, Bojin International (then indirectly owned by Mr. Leung and Mr. Kwan as to 55% and 45%, respectively, through Golden Roc) acquired from Mr. Leung and Mr. Kwan the entire issued shares of CS Engineering at the nominal consideration of HK\$5,500 and HK\$4,500 respectively which was determined with reference to the issued share capital of CS Engineering. The aforesaid share transfers were completed and the consideration was settled by Bojin International by way of cash on 22 August 2014. Following completion of the aforesaid share transfer, CS Engineering became a direct wholly-owned subsidiary of Bojin International.

COMPANY HISTORY AND REORGANISATION

CS Machinery

CS Machinery was incorporated in Hong Kong with limited liability on 23 December 1998 with the then issued share capital of HK\$50,000. Since its incorporation, CS Machinery has been engaged in the rental of machinery. Upon the incorporation, the shareholding structure of CS Machinery was as follows:

Name of shareholders	Shareholding %
Mr. Leung	50%
Mr. Kwan	<u>50%</u>
Total	<u>100%</u>

On 2 February 2000, Mr. Kwan transferred 50% shareholding in CS Machinery to Mr. Yum Yok Cheng at the consideration of HK\$1. The consideration was arrived at after arm's length negotiations between the parties, taking into account the then nominal amount of the shares of CS Machinery. The shareholding structure of CS Machinery after the aforesaid transfer was as follows:

Name of shareholders	Shareholding %
Mr. Leung	50%
Mr. Yum Yok Cheng	<u>50%</u>
Total	<u>100%</u>

On 20 February 2002, the board of directors of CS Machinery passed an ordinary resolution to increase the then authorised share capital of CS Machinery from HK\$50,000 to HK\$60,000. On the same date, 10,000 shares of CS Machinery were allotted to Mr. Kwan at the consideration of HK\$10,000. The shareholding structure of CS Machinery after the aforesaid allotment was as follows:

Name of shareholders	Shareholding (approximate)
Mr. Leung	41.67%
Mr. Yum Yok Cheng	41.67%
Mr. Kwan	<u>16.66%</u>
Total	<u>100%</u>

COMPANY HISTORY AND REORGANISATION

On 28 February 2002, Mr. Leung and Mr. Yum Yok Cheng transferred their approximately 8.33% and approximately 8.33% shareholdings in CS Machinery to Mr. Kwan respectively, at the consideration of HK\$5,000 and HK\$5,000 respectively. The consideration was arrived at after arm's length negotiations between the parties, taking into account the then nominal amount of the shares of CS Machinery and the net liabilities position of CS Machinery as at 31 March 2001. The shareholding structure of CS Machinery after the aforesaid transfers was as follows:

Name of shareholders	Shareholding (approximate %)
Mr. Leung	33.33%
Mr. Yum Yok Cheng	33.33%
Mr. Kwan	<u>33.33%</u>
Total	<u>100%</u>

On 12 December 2006, Mr. Yum Yok Cheng transferred his approximately 21.67% and approximately 11.67% shareholdings in CS Machinery to Mr. Leung and Mr. Kwan respectively, at the consideration of HK\$1 and HK\$1 respectively. The considerations were arrived at after arm's length negotiations between the parties, taking into account Mr. Yum Yok Cheng's retirement and his initial investment in CS Machinery. The shareholding structure of CS Machinery after the aforesaid transfers was as follows:

Name of shareholders	Shareholding
Mr. Leung	55%
Mr. Kwan	<u>45%</u>
Total	<u>100%</u>

As part of the Reorganisation, on 22 August 2014, Eternity Sail (then indirectly wholly-owned by Mr. Leung and Mr. Kwan as to 55% and 45% respectively, through Golden Roc) acquired from Mr. Leung and Mr. Kwan the entire issued share capital in CS Machinery at the nominal consideration of HK\$33,000 and HK\$27,000 respectively which was determined with reference to the issued share capital of CS Machinery. The aforesaid share transfer was completed and the consideration was settled by Eternity Sail by way of cash on 22 August 2014. Following completion of the aforesaid share transfer, CS Machinery became a direct wholly-owned subsidiary of Eternity Sail.

Bojin International

Bojin International was incorporated in the BVI with limited liability on 5 June 2014 and is authorised to issue a maximum of 50,000 shares of one class with a par value of US\$1 each. On 8 July 2014, one fully paid ordinary share of Bojin International, representing the entire issued share capital of Bojin International, was allotted and issued to Golden Roc at a consideration of US\$1 (equivalent to the par value in respect of such share).

COMPANY HISTORY AND REORGANISATION

Bojin International is an investment holding company and it had not carried on any business activities since its incorporation and up to the Latest Practicable Date.

Eternity Sail

Eternity Sail was incorporated in the BVI with limited liability on 2 January 2014 and is authorised to issue a maximum of 50,000 shares of one class with a par value of US\$1 each. On 8 July 2014, one fully paid ordinary share of Eternity Sail, representing the entire issued share capital of Eternity Sail, was allotted and issued to Golden Roc at a consideration of US\$1 (equivalent to the par value in respect of such share).

Eternity Sail is an investment holding company and it had not carried on any business activities since its incorporation and up to the Latest Practicable Date.

Chi Fu

Chi Fu was incorporated in Hong Kong with limited liability on 4 March 1998. During the Track Record Period, Chi Fu was principally engaged in the provision of foundation and piling works services in Hong Kong.

In 2005, Mr. Kwan was introduced to Chi Fu by an independent third party whom Mr. Kwan met during his prior business engagement. Mr. Kwan and Mr. Leung were appointed as directors of Chi Fu in March 2005 and September 2006 respectively.

On 19 September 2008, each of Mr. Leung and Mr. Kwan acquired 15% of the equity interests in Chi Fu. On 5 June 2013, each of Mr. Leung and Mr. Kwan acquired 40% and 30%, respectively, equity interests in Chi Fu representing the remaining 70% equity interests in Chi Fu. On 7 July 2014, Mr. Leung and Mr. Kwan disposed of each of his entire interests in Chi Fu to two independent third parties because (i) the business performance of Chi Fu for the year ended 31 March 2014 was not satisfactory due to the drop in number and the scale of projects obtained which led to the decline in profits and (ii) Mr. Leung and Mr. Kwan intended to devote more resources to focus on the business of our Group.

During the Track Record Period, Chi Fu was one of our five largest customers and further details of which are set out in the section “Business — Customers — Major customers” and “Business — Customers — Inter-relationship between our customer, suppliers and subcontractors” and the section “Financial Information — Related Party Transactions”. As confirmed by our Directors, all our transactions with Chi Fu had been ceased since April 2014.

During the Track Record Period, Chi Fu was involved in a disciplinary action brought by the Building Authority, further details of which are set out in the section “Directors and Senior Management — Disciplinary action regarding Chi Fu”.

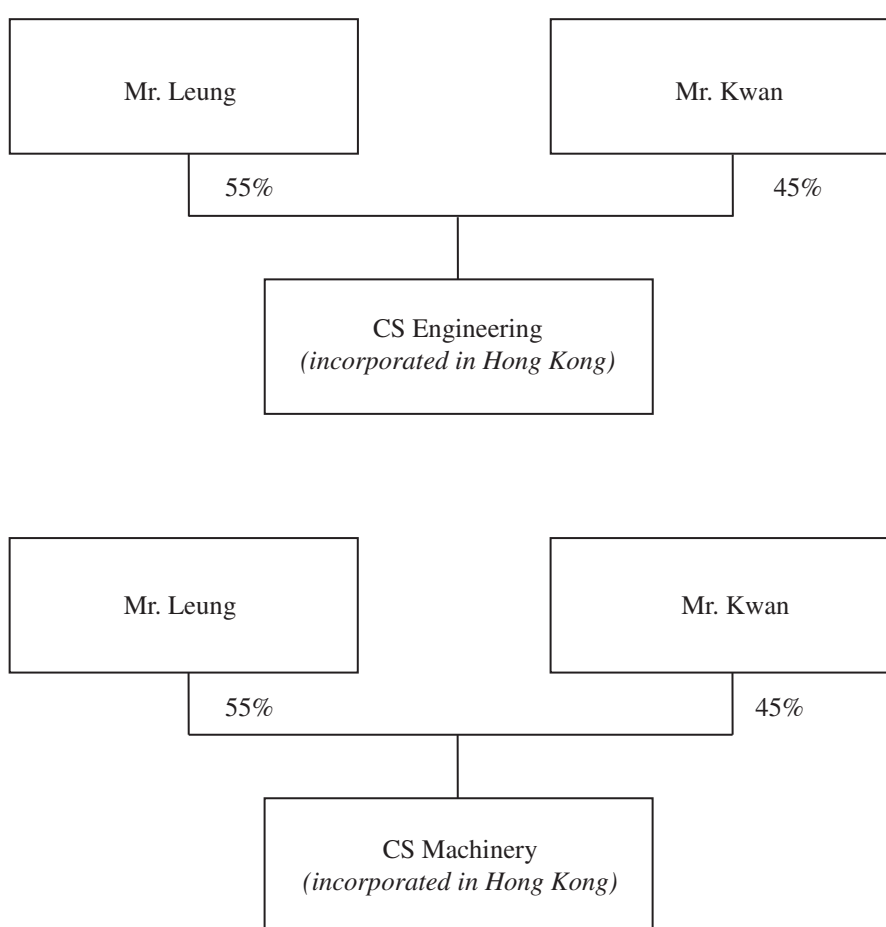
COMPANY HISTORY AND REORGANISATION

REORGANISATION

Our Company completed the Reorganisation on 5 December 2014 in preparation for the Listing, pursuant to which our Company became the ultimate holding company of our Group. Details of the Reorganisation are set out in the paragraph “Corporate Reorganisation” in Appendix IV to this prospectus.

OUR CORPORATE STRUCTURE

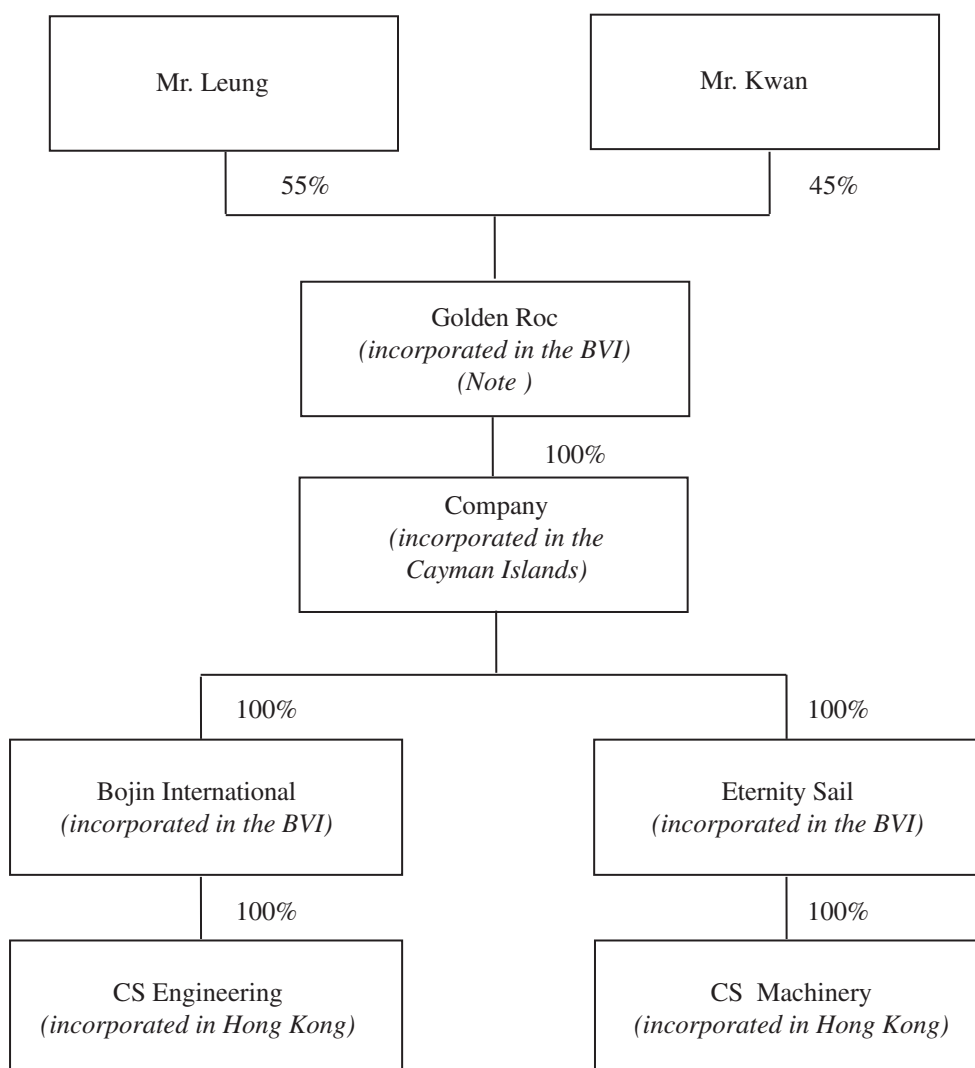
Set out below the corporate structure of our Group immediately before the Reorganisation:



COMPANY HISTORY AND REORGANISATION

OUR REORGANISATION

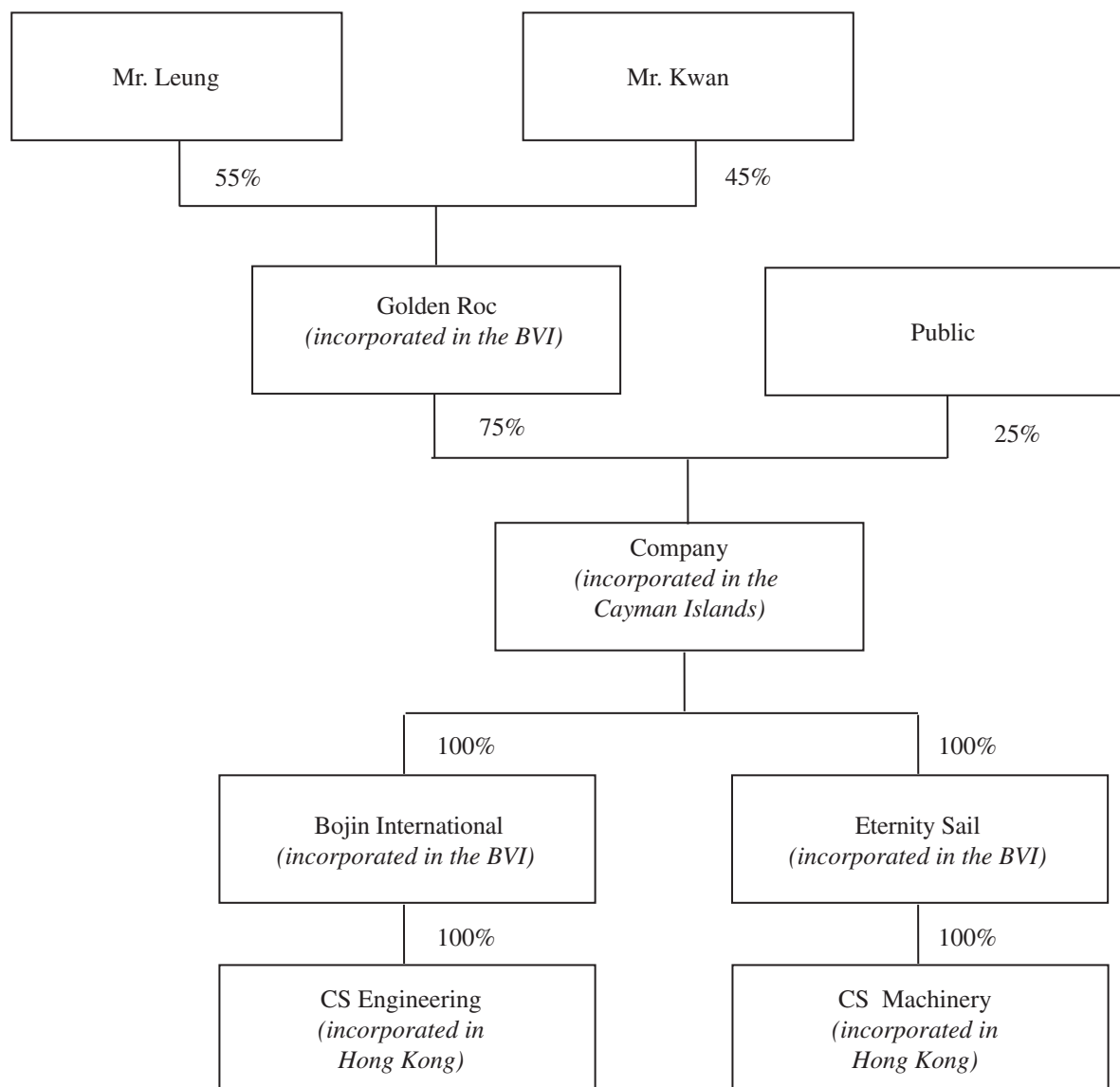
The following diagram sets out the corporate structure of our Group immediately after completion of the Reorganisation but before completion of the Share Offer:



Note: Golden Roc is an investment holding company and had no substantive business activities as at the Latest Practicable Date. Mr. Leung and Mr. Kwan are the directors of Golden Roc.

COMPANY HISTORY AND REORGANISATION

The following diagram sets out the corporate structure of our Group immediately after completion of the Share Offer (without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme):



Note: Golden Roc is an investment holding company and had no substantive business activities as at the Latest Practicable Date. Mr. Leung and Mr. Kwan are the directors of Golden Roc.

BUSINESS

OVERVIEW

We are principally engaged in the foundation and substructure construction business in Hong Kong. The foundation and substructure construction services provided by us mainly include ELS works, pile caps construction and substructure construction for residential, commercial and infrastructure projects.

Since 1998 and 2002, we have been a subcontractor for foundation construction and substructure construction business. During the Track Record Period, we mainly engaged in construction projects in Hong Kong in the capacity of subcontractor and also undertook a construction project as the main contractor. For details on our latest development, please refer to section “Summary — Recent Development”.

For the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014, there were respectively, 28, 26, 21, and 9 construction projects contributed approximately HK\$195.6 million, HK\$449.9 million, HK\$578.5 million and HK\$196.6 million, respectively to our turnover. Set out below is the breakdown of such projects based on their respective turnover recognised during the Track Record Period.

	For the year ended			For the
	31 March			three
	2012	2013	2014	months
	<i>No. of</i>	<i>No. of</i>	<i>No. of</i>	ended
	<i>projects</i>	<i>projects</i>	<i>projects</i>	30 June
				2014
				<i>No. of</i>
				<i>projects</i>
Turnover recognised				
HK\$100,000,000 or above	1	2	3	—
HK\$10,000,000 to below HK\$100,000,000	2	6	7	5
HK\$1,000,000 to below HK\$10,000,000	8	7	6	3
Below HK\$1,000,000	17	11	5	1
	<u>28</u>	<u>26</u>	<u>21</u>	<u>9</u>

As at the Latest Practicable Date, we had 13 projects in progress (representing projects that had commenced but not completed) which, based on the total contract sum of such projects, are expected to contribute approximately HK\$479.4 million and approximately HK\$256.7 million to our turnover from the Latest Practicable Date to 31 March 2015 and for the year ending 31 March 2016, respectively.

BUSINESS

For the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014, we commenced 13, 11, 8 and 2 projects respectively. Set out below is the breakdown of such projects based on their contract sum:

Contract sum	For the year ended			For the
	31 March			three
	2012	2013	2014	months
	<i>No. of</i>	<i>No. of</i>	<i>No. of</i>	ended
	<i>projects</i>	<i>projects</i>	<i>projects</i>	30 June
				2014
				<i>No. of</i>
				<i>projects</i>
HK\$100,000,000 or above	1	3	3	—
HK\$50,000,000 to below HK\$100,000,000	—	1	—	—
HK\$10,000,000 to below HK\$50,000,000	3	3	2	2
Below HK\$10,000,000	9	4	3	—
	<u>13</u>	<u>11</u>	<u>8</u>	<u>2</u>

Depending on the scale of the projects and the complexity of the works undertaken, the length of our project execution ranged from 1 month to 39 months. During the Track Record Period, our customers were primarily main contractors of various types of development projects in Hong Kong. For the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014, our revenue generated from main contractors accounted for approximately 88.0%, 99.2%, 98.3% and 97.8% of our total revenue respectively and the remaining customers mainly includes subcontractors and land owners.

With our possession of the necessary machinery, we are generally self-sufficient and therefore not materially reliant on third party for machinery rental. Our machinery include, among others, excavators, crawler cranes, hydraulic rock breakers and hydraulic crawler drillers, with net book value of approximately HK\$57.4 million as at 30 June 2014. Our investment in machinery enables us to better cater for construction projects of different scales and complexity. Our Directors believe that our possession of machinery is essential in order to meet the expected growing demand in foundation and substructure construction industry in Hong Kong in the foreseeable future. For the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014, we acquired new machinery in the amount of approximately HK\$0.9 million, HK\$37.4 million, HK\$38.7 million and HK\$4.0 million at cost respectively. During the Track Record Period, upon the requests of our customers, we leased machinery to our customers if the machinery was not required for other construction projects during the relevant period. We do not actively seek nor intend to actively seek opportunities to lease our machinery to our customers. For the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014, our rental income from the lease of machinery amounted to approximately HK\$4.2 million, HK\$2.4 million, HK\$2.9 million and HK\$46,000 respectively. For information regarding our machinery, please refer to the paragraph “Our Machinery” in this section.

BUSINESS

Depending on our capability, availability of labour resources, possession of machinery, complexity of the project and cost effectiveness, we provide our services either by utilising our own resources (including our employees and machinery), or by engaging subcontractors. For the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014, the subcontracting charges incurred by our Group amounted to approximately HK\$32.3 million, HK\$73.6 million, HK\$172.7 million and HK\$64.5 million respectively. For information regarding our subcontracting arrangement, please refer to the paragraph “Subcontracting” in this section.

Our suppliers primarily provide us with (i) construction materials such as concrete and steel; (ii) diesel fuel; and (iii) transportation services. We have an approved list of service providers including suppliers and subcontractors. Our business relationships with our suppliers on the approved list range from 1 year to 13 years. We take into account factors such as quality of goods and services, timeliness of delivery, track records of the suppliers and their reputation in the industry before admitting them into our approved list. Please refer to the paragraph “Suppliers” in this section.

According to the IPSOS Report, various factors including the increase in the housing supply in Hong Kong, redevelopment plans of the government of Hong Kong, together with the “Ten Major Infrastructure Projects”, will continue to be drivers of growth in the foundation and substructure industry in Hong Kong. In view of these growth drivers, our Directors anticipate the number of foundation and substructure construction projects in Hong Kong will increase. To the extent that our Group is successful in securing these contracts, our business should grow gradually. For details, please refer to the section “Industry Overview”.

COMPETITIVE STRENGTHS

We believe that we have the following competitive strengths that enable us to grow and differentiate us from our competitors:

We are one of the leading foundation and substructure construction work companies in Hong Kong

We are one of the leading foundation and substructure construction companies in Hong Kong. According to the IPSOS Report, we ranked second among all foundation and substructure construction companies in Hong Kong in terms of turnover in 2013 with 2.4% share of the total industry turnover. Since commencement of our business, we were engaged in more than 110 foundation and substructure construction projects in Hong Kong. Our business relationships with our five largest customers for the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014 ranged from approximately 1 year to 10 years, 1 year to 11 years, 4 years to 13 years and 1 year to 13 years respectively. Based on the above, we consider that we have a good reputation and a well-established presence in the foundation and substructure construction industry in Hong Kong. Our Directors believe that, during the Track Record Period, we delivered our job to the satisfaction and requirements of our customers and did not receive any material complaint.

We have an experienced management team

Our management team comprising of our executive Directors and engineers has extensive knowledge in the foundation and substructure construction business. Some members of our

BUSINESS

management team has up to 30 years of experience in construction industry in Hong Kong. Among our senior management, 2 members, details of whom are stated in the section “Directors and Senior Management”, who are members of our project team, have over 10 years of experience in the foundation industry and they possess the relevant professional qualifications. Our Directors consider that the qualifications and experience of our senior management team help us formulate competitive tenders, and their qualifications and experience are essential to us in securing new contracts, and carrying out timely implementation and management of project works. For details of the biographies and relevant industry experience of our management team, please refer to the section “Directors and Senior Management”.

We possess a range of updated machinery

Since our business relies heavily on the usage of different heavy machinery, including excavators, crawler cranes, hydraulic rock breakers and hydraulic crawler drillers, we select and possess machinery of reputable European, Japanese and Korean brands. The net book value of our machinery amounted to approximately HK\$57.4 million as at 30 June 2014. For the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014, we invested in new machinery in the amount of approximately HK\$0.9 million, HK\$37.4 million, HK\$38.7 million and HK\$4.0 million at cost respectively.

We believe that our investment in machinery has improved our position to undertake construction projects of different scales and complexity. Our Directors also consider that the possession of our own machinery at our disposal allows us to devise flexible construction plans and apply suitable machinery specifically catered for the needs and requirements of different customers, as well as enables us to efficiently and effectively schedule our projects and deploy our manpower.

We are flexible and capable of providing recommendations for projects

With the experience of our management team, we are capable of providing recommendations on projects in order to meet the requirements of our customers. In the course of project execution, our project team will from time to time provide updates on the progress and discuss issues arising from the projects both internally and externally with our customers. Our Directors believe that with the expertise of our management team and the regular updates and discussions on the projects, we are able to make decisions and recommendations in a timely manner. We believe this gives us an edge over our competitors who do not adopt this practice. For details of our Directors and senior management, please refer to the section “Directors and Senior Management”.

We have long-term relationships with some of our major customers

We have over 10 years of business relationships with some of our major customers (including Hsin Chong Companies, Sanfield (Management) Limited and Customer F), who are active market players in the construction industry in Hong Kong. Our Directors are of the view that our operating history, together with our long-term relationships with customers, would increase our recognition and visibility in the market and enable us to attract potential business opportunities.

BUSINESS

BUSINESS STRATEGIES

The principal business objective of our Group is to further strengthen our position in the foundation and substructure construction business in Hong Kong. We intend to achieve our future expansion plans by adopting the following key strategies:

Compete for sizeable and profitable foundation and substructure projects

The number of foundation and substructure construction projects that can be executed by our Group concurrently at any given time is limited by our resources including the capacity of our machinery and the availability and experience of our manpower. As such, our Directors believe that our Group should focus on deploying our resources towards competing for sizeable and profitable foundation and substructure construction projects in Hong Kong.

Acquisition of additional machinery

Most of our works require the use of different machinery. Our capacity to carry out foundation and substructure construction services for our customers depends largely on the availability of our machinery. We believe our investment in machinery has placed us in a position to cater for foundation and substructure construction projects of large scale and higher complexity. We therefore intend to acquire additional machinery so as to enhance our technical ability and to strengthen our capability to cater for different needs and requirements of different customers and to meet the expected growing demand in the foundation and substructure industry in Hong Kong in the foreseeable future. Such additional machinery includes but not limited to excavators and hydraulic rock breakers. Our Directors believe that by acquiring machinery with higher efficiency and capability it will allow us to take on more complex projects in the future.

Further strengthening our manpower

We believe that a strong team of staff members equipped with industry knowledge and experience in the foundation and substructure construction business is crucial to our continuing success. In addition, the involvement of our Directors and senior management at different stages of the project, such as preparation and submission of tender and quotation, project implementation and execution, is crucial to complete the projects on time and to the satisfaction of our customers. In order to cater for growing demand for foundation and substructure construction industry, we intend to expand our labour resources by recruitment of experienced or skilled staff members, in particular project managers and plant operators in order to drive our business development.

In addition, we intend to arrange training workshops or courses for our staff members in relation to ELS works services, pile caps construction and substructure construction, as well as work safety, to be conducted either through internal training or by external parties such as other training authorities.

Implementation of business strategies

As at the Latest Practicable Date, we did not identify any target for acquisition and did not have any acquisition plan.

BUSINESS

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

FOUNDATION AND SUBSTRUCTURE CONSTRUCTION BUSINESS

We are principally engaged in the foundation and substructure construction business in Hong Kong. Our services include (i) ELS works; (ii) pile caps construction; and (iii) substructure construction for residential, commercial and infrastructure projects. Our services are inter-related to one another and our projects may include one or more types of services depending on the customers’ needs and requirements for their construction projects.

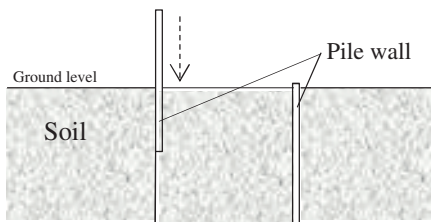
Types of services provided

Our major services during the Track Record Period are ELS works, pile caps construction and substructure construction. The following diagrams illustrated our services:

(i) *ELS works*

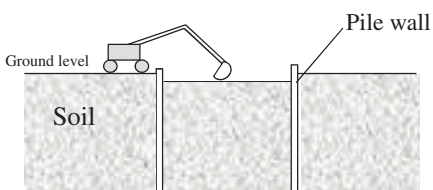
We set out below illustrative diagrams of typical ELS works:

Install sheet pile wall / pipe pile wall



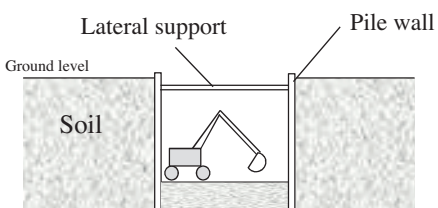
ELS works begin by inserting the steel pile wall into the soil for the planned excavation. The steel pile pipe wall is generally used to reduce groundwater inflow and prevent the soil from falling from the side.

Excavate



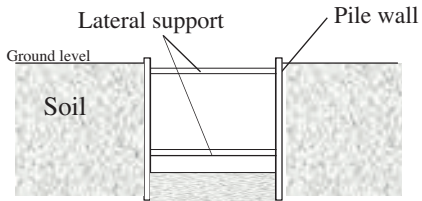
After inserting the steel pile wall, excavation will begin between the steel pile wall.

Install lateral support and further excavate



As excavation begins to go below ground level, lateral support is added to keep the steel pile wall stable to perform deeper excavation.

Complete lateral support work



When excavation reaches the required depth, pile caps construction and substructure construction begin.

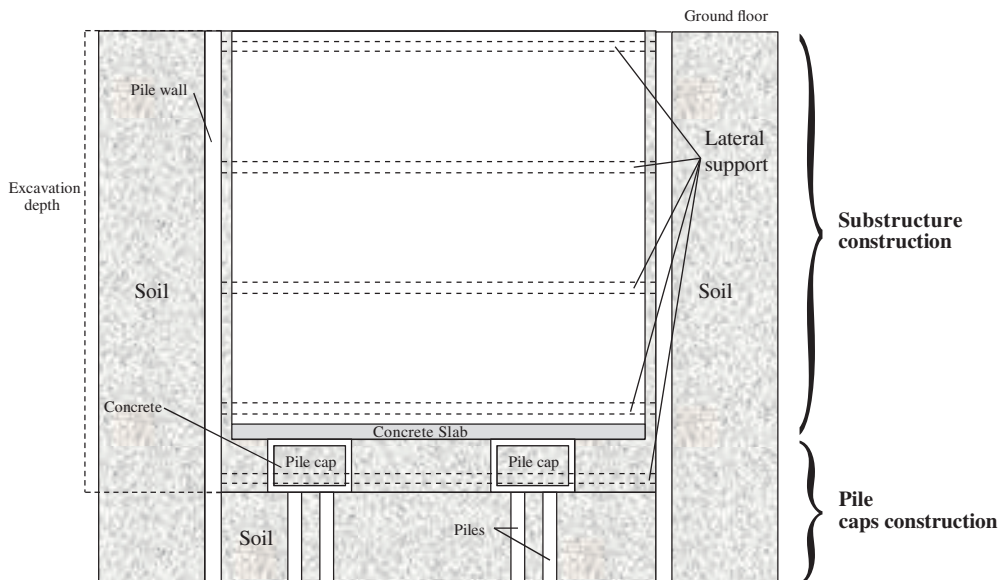
(ii) ***Pile caps construction***

ELS works are carried out beforehand to facilitate pile caps construction works. Pile caps are built on top of a pile, or a group of piles to transmit the load. Pile caps are considered part of the foundation and substructure construction. Piles are first inserted into the soil followed by the pile caps construction. As a final step, concrete is poured to form a slab as the bottom of the basement.

(iii) ***Substructure construction***

Substructure construction is common in Hong Kong because land is limited and buildings tend to develop vertically. Substructure construction refer to all underground construction works including basements and tunnels.

Below is the illustrative diagram of our pile caps construction and substructure construction:



BUSINESS

PROJECTS DURING TRACK RECORD PERIOD

Completed projects

Completed projects refer to projects for which our direct workers had moved out from the construction sites as at the end of the relevant period. During the Track Record Period, we mainly engaged in construction projects in Hong Kong in the capacity of subcontractor and had also undertaken a construction project as the main contractor. For the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014, we completed 13, 9, 9 and 1 project(s) respectively. Details of our five largest foundation and substructure construction projects completed in descending order by contract sum are as follows:

For the year ended 31 March 2012

Rank	Location of project	Type of works	Project period	Contract sum ^(Note) (HK\$' million)	Accumulated turnover recognised (HK\$' million)
1	Tai Po district	ELS works, pile caps construction and substructure construction	29 months	50.0	52.3
2	Tuen Mun district	ELS works and pile caps construction	10 months	41.1	32.4
3	Tsuen Wan district	Piling works	8 months	12.8	12.4
4	Kwai Tsing district	ELS works	20 months	10.0	8.1
5	Tsuen Wan district	ELS works	8 months	3.8	3.9

For the year ended 31 March 2013

Rank	Location of project	Type of works	Project period	Contract sum ^(Note) (HK\$' million)	Accumulated turnover recognised (HK\$' million)
1	Tai Po district	ELS works, pile caps construction and substructure construction	16 months	235.5	267.5
2	Central and Western district	ELS works and pile caps construction	39 months	36.1	18.6
3	Tuen Mun district	ELS works	23 months	24.1	24.1
4	Tsuen Wan district	ELS works	16 months	15.8	12.5
5	Sham Shui Po district	ELS works	33 months	14.9	10.4

BUSINESS

For the year ended 31 March 2014

Rank	Location of project	Type of works	Project period	Contract sum ^(Note) (HK\$' million)	Accumulated turnover recognised (HK\$' million)
1	Sha Tin district	ELS works and pile caps construction	20 months	277.7	252.7
2	Central and Western district	ELS works	24 months	26.0	28.3
3	Southern district	ELS works	33 months	19.8	28.3
4	Tsuen Wan district	ELS works	17 months	17.1	16.7
5	Tuen Mun district	Excavation	4 months	9.8	9.6

Note: The contract sum is based on the initial agreement or quotation between our customer and us.

Projects in progress

As at 30 June 2014, we had 10 projects in progress which represented projects that had commenced but not completed. Details of our five largest projects in progress in descending order by contract sum are as follows:

Rank	Location of project	Type of works	Expected project period	Expected completion date	Contract sum ^(Note) (HK\$' million)	Accumulated turnover recognised as at the Latest Practicable Date (HK\$' million)
1	Kowloon City district	ELS works, pile caps construction and substructure construction	15 months	February 2015	370.7	149.1
2	Central and Western district	ELS works, pile caps construction and substructure construction	26 months	February 2015	365.8	245.4
3	Sai Kung district	ELS works	28 months	April 2015 or after	139.0	164.2
4	Sham Shui Po district	ELS works	25 months	June 2015	120.8	151.4
5	Wan Chai district	ELS works	15 months	April 2015	118.8	41.8

Note: The contract sum is based on the initial agreement or quotation between our customer and us.

BUSINESS

Backlog

As at 31 March 2012, 2013, 2014, 30 June 2014 and the Latest Practicable Date, we had a total of 8, 10, 9, 10 and 13 projects in our backlog (representing projects that had commenced but not completed), with income derived or estimated to be derived from such projects as follows:

	As at 31 March 2012	As at 31 March 2013	As at 31 March 2014	As at 30 June 2014	As at the Latest Practicable Date
Number of projects in our backlog	8	10	9	10	13
Total turnover attributable to such projects	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>
- recognised on or before the date indicated	190.4	283.7	497.8	683.6	869.2
- estimated to be recognised in the future as at the date indicated	<u>174.9</u>	<u>634.4</u>	<u>711.1</u>	<u>599.6</u>	<u>736.1</u>
	<u><u>365.3</u></u>	<u><u>918.1</u></u>	<u><u>1,208.9</u></u>	<u><u>1,283.2</u></u>	<u><u>1,605.3</u></u>

The expected completion dates of the projects in our backlog are as follows:

	2012	As at 31 March 2013	2014	As at 30 June 2014	As at the Latest Practicable Date
Number of projects in our backlog which were completed or expected to be completed:					
- up to the Latest Practicable Date*	8	6	1	—	—
- Latest Practicable Date to 31 March 2015^	—	2	4	5	7
- on or after 1 April 2015^	<u>—</u>	<u>2</u>	<u>4</u>	<u>5</u>	<u>6</u>
	<u><u>8</u></u>	<u><u>10</u></u>	<u><u>9</u></u>	<u><u>10</u></u>	<u><u>13</u></u>

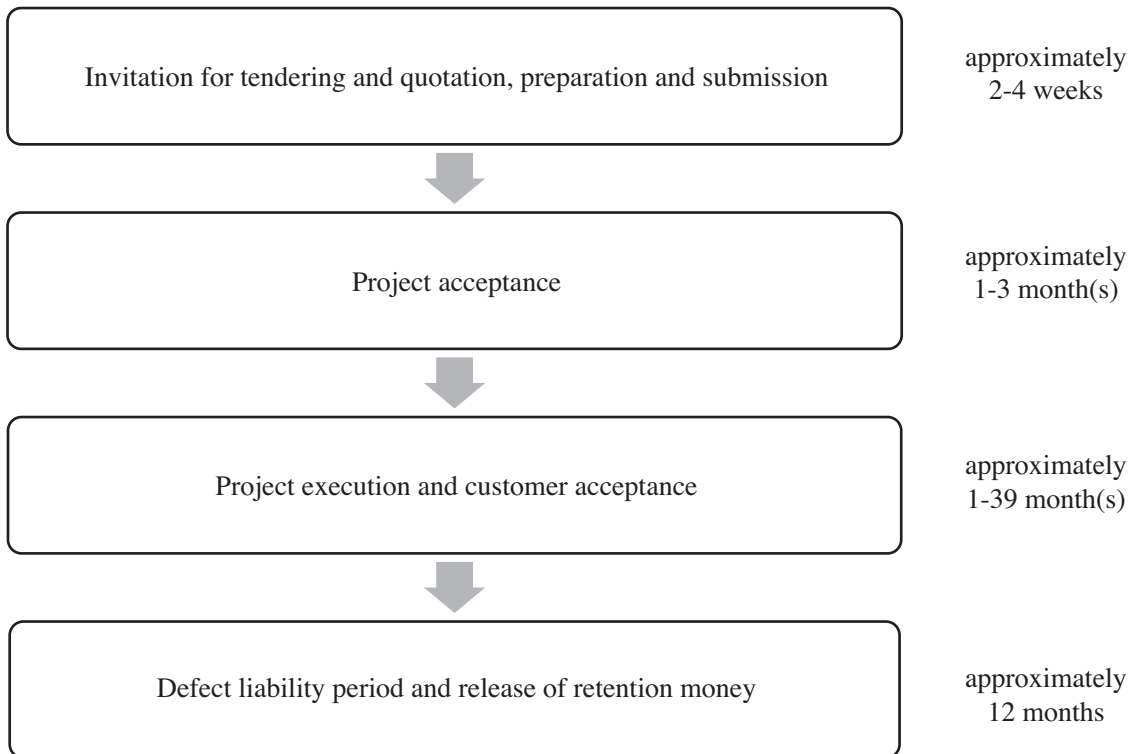
* denotes actual completion dates

^ denotes expected completion dates

BUSINESS

OPERATING PROCEDURES

The flow chart summarising the usual workflow of a project is set out below:



Invitation for tendering and quotation, preparation and submission

We are usually invited by our customer to submit a tender or provide a quotation for tendering for a potential project. Our customers are main contractors of potential projects and land owners. We act as a subcontractor for potential projects when invited by the main contractor and as main contractor for potential projects when invited by the land owners. In both cases, we are provided with the specifications and drawings along with the invitations.

Our tendering team generally consists of a project manager, a contract officer and a quantity surveyor. They assist our executive Directors on the preliminary review and assessment of a potential project. We would consider (i) the specifications of the potential project; (ii) the commencement date and duration of the potential project; (iii) the site location; (iv) the resources availability; and (v) our previous experience with the customer.

Once our executive Directors consider the potential project to be acceptable based on the review and assessment, we will prepare and submit a tender or provide a quotation to our customer accordingly.

BUSINESS

In the course of preparation of the tender, our executive Directors and/or our project manager mainly evaluate on (i) the manpower needed; (ii) availability of machinery; and (iii) complexity of the potential project, and conduct an on-site visit if necessary.

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

Tenders submitted during the Track Record Period

During the Track Record Period, all of our construction projects were obtained through tendering. The following table sets out the number of projects tendered, number of successful projects tendered and our success rate during the Track Record Period:

	For the year ended 31 March			For the 3 months ended 30 June
	2012	2013	2014	2014
Number of projects tendered	236	115	121	21
Number of successful projects	16	8	8	3
Success rate (%)	6.8	7.0	6.6	14.3

As set out under the paragraph “Business Strategies” in this section, our Group strategy is to compete for sizeable and profitable foundation and substructure construction projects in Hong Kong. During our tendering process, we consider our projects that are in progress and our price will be determined on a project-by-project basis depending on: (i) the difficulties and methodology of the project; (ii) the estimated number and types of workers required; (iii) the estimated number and types of machinery required; (iv) the completion time requested by customer; (v) any further subcontracting needed; (vi) the prospect of obtaining future contracts from the customer; and (vii) the prevailing market conditions. As such, we will ensure that we can provide and allocate sufficient resources for the tendered projects. During the Track Record Period, we have not experienced any material complaints for the shortage of resources for our projects.

During the year ended 31 March 2012, more projects were tendered as the projects were of smaller scales and the duration of which are also shorter. Subsequent to 2012, we successfully tendered projects of larger scale, thus fewer number of tenders were submitted. In generally, we are prudent in tendering for projects of larger scale and higher complexity since we take into account the completion time requested by customer when determining our price, in the event that the project required a tight completion schedule, we would tender at a less competitive price in order to cover any additional cost which may be incurred in view of the tight schedule, in which case we may not be competitive enough to be awarded with the contract leading to the low success rate during the Track Record Period.

BUSINESS

Project acceptance

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

As soon as we are engaged by our customer, we would secure our engagement with our subcontractors and arrange with our suppliers for the supply of materials for the project.

Project execution and customer acceptance

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

Forming a project team

Depending on the scale and complexity of the project, our project team generally comprises the following key personnel: project manager, engineer, site agent, quantity surveyor and foreman.

Our executive Directors will also closely monitor the progress of the project on a continuous basis, in particular, and will ensure statutory requirements are complied with. Our project team will oversee the project on site and report to the executive Directors on the project status and identify any problems that need to be resolved from time-to-time. Set out below are some general duties performed by the key personnel:

(a) *Project manager*

Our project manager is mainly responsible for communicating with other members of the project team on the project status, reviewing the progress report and site daily record prepared by our engineer and liaising with subcontractors for the works conducted by subcontractors.

On an on-going basis, our project manager will directly report to our executive Directors for the project status and issues, and attend the progress meeting to report the project progress to our customer.

(b) *Engineer*

Our engineer is responsible for preparing the site daily record to properly record (i) the number of workers; and (ii) description of works both performed by our workers or subcontractors. Our engineer should pass the site daily record to project manager for review and keep the site daily record in site office for spot check by our executive Directors.

BUSINESS

Upon request by our customer, our engineer is required to prepare a progress report for progress meeting, and submit the progress report to our project manager for review.

(c) *Site agent*

Our site agent is responsible for inspecting fieldworks including monitoring the work progress and communicating with our foreman about each project's detail operations.

(d) *Quantity surveyor*

Our quantity surveyor is responsible for inspecting the work progress on the site, checking with our project manager for understanding the updated progress status, and preparing the payment application. For progress monitoring purpose, our quantity surveyor is required to update our project manager the latest certified progress from our customer.

(e) *Foreman*

Our foreman is responsible for supervising our workers and subcontractors on site.

Planning and arranging machinery

Most of our works involve usage of machinery. Our plant manager is responsible for managing the machinery for all projects. Our executive Directors and plant manager will determine the types of machinery to be used, the time for the use of the machinery and the logistics of delivery of machinery.

For details on our machinery, please refer to the paragraph "Our Machinery" in this section.

Purchasing of construction materials

The construction materials that we purchase for a project include concrete and steel. In line with our tender submitted, our quantity surveyor will place orders with our suppliers and purchase the required materials. In some projects, certain construction materials might be purchased by our customer on our behalf for their projects.

Our construction materials are purchased are sent to the site directly by our suppliers and we do not retain any construction materials as our inventory as the materials are acquired on a project-by-project basis in accordance with the project specifications.

For details on our suppliers, please refer to the paragraph "Suppliers" in this section.

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

Depending on our capability, resources level, cost effectiveness and the complexity of the project, we may subcontract specific parts of the project to our subcontractors in Hong Kong, such as piling works, lateral support works, formwork erection works, reinforcement bar fixing works, and concreting works. Save for such specific parts of the project, we usually carry out other parts of a project by our employees.

BUSINESS

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

Monitoring, quality inspection and testing

Our project manager regularly provides progress reports to our executive Directors. Such report includes project performance, any risks in delaying the construction programme, comments from our customer and follow-up matters for the project. In addition, we would normally hold progress meeting with our customer throughout the project. Occasionally, our customer might request for a progress report for progress meeting which would be prepared by our engineers.

For projects of which we are the main contractor, depending on the requirement of our customer, we work together with a company which is a registered general buildings contractor or a registered specialist contractor under the Buildings Ordinance under categories such as general building, site formation, demolition and foundation. Such general contractor or specialist contractor will advise on the work plan for the project and procure the preparation of necessary documents for submission to the Buildings Department for its consent to commence the construction. Our project team is responsible to perform site supervision together with the registered general building contractor or registered specialist contractor under the Buildings Ordinance as the case may be. The result of such site supervision will be submitted to the Buildings Department.

Our engineer is required to prepare a site daily record describing the works both performed by our workers or subcontractors and the site daily record should then be passed to our project manager for review. Our site agent will inspect fieldworks including monitoring the work progress and communicating with our foreman on the progress of each project.

Our foreman is responsible for supervising our workers and subcontractors on site and our project manager will communicate with our foreman from time to time to understand the quality of work carried out. The work progress of the site would be inspected by our quantity surveyor before we prepare the payment application to our customer.

For materials or works that require sampling and testing, such as structural steel and concrete, prior to their usage in our project, or works that need to meet specific requirements or as required by customer, we will engage a third party with HOKLAS accreditation to perform testing on samples.

Customer inspection and acceptance

In the course of execution of the construction projects, our customer would inspect our works done from time to time. Upon its satisfaction, our customer would issue an approval form specifying the activity completed by stages. Once we have completed the entire project to the satisfaction of our customer, our customer would issue a practical completion certificate for the project the issuance of which usually takes approximately 1 month to 1 year.

BUSINESS

Progress payment

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

Defect liability period and release of retention money

Subject to the requirements of different projects, a defect liability period of up to 12 months from the date of the practical completion certificate may be provided by us. During the defect liability period, we are responsible for remedial works which may arise from the defective works or materials used. The retention money will be withheld by our customer and 50% of which will be released to us on the issue of the practical completion certificate and the remaining 50% upon the agreement of the final account between our customers and us which usually takes approximately 1 month to 1 year.

LICENCE AND PERMIT

As advised by the Legal Counsel, for any works where our Group acts as the main contractor, if we work together with a registered general building contractor and/or a registered specialist contractor under the Buildings Ordinance who supervises the works and liaises with the Building Authority, our Group is not required to be registered as such or to obtain any requisite licences, permits or approval for its operations except the business registration.

In order to undertake foundation and substructure construction works as a main contractor, the contractor must be registered with the Building Authority as a registered specialist contractor under the foundation category or the contractor must work together with a registered specialist contractor registered under the Buildings Ordinance under categories such as general building, site formation, demolition and foundation. Details of the above are set forth in the section “Regulatory Overview”.

During the Track Record Period, we mainly acted as a subcontractor for our foundation and substructure construction projects in Hong Kong and had also acted as the main contractor for one of our foundation and substructure construction projects in which we work together with a registered specialist contractor under the Buildings Ordinance.

BUSINESS

Based on the IPSOS Report, there were (i) 131 companies registered with the Buildings Authority engaging in private foundation works; (ii) 41 companies on the list of Approved Suppliers of Materials and Specialist Contractors for Public Works under land piling at the Development Bureau of the government of Hong Kong for the purpose of carrying out public foundation works; (iii) 10 companies on the list of Piling Contractors under the large diameter bored piling category; and (iv) about 9 companies on the Housing Authority list of Piling Contractors under the percussive piling category as at 31 March 2014.

Although there is no specific licensing requirement for subcontractor, our Company is registered under the SRS. The objective of the SRS is to build a pool of capable and responsible subcontractors with specialised skill and strong professional ethics. According to IPSOS Report, there are about 103 foundation substructure construction works service providers registered under the SRS in June 2014.

CUSTOMERS

For the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014, our turnover from construction contracts amounted to HK\$195.6 million, HK\$449.9 million, HK\$578.5 million and HK\$196.6 million representing 97.9%, 99.5%, 99.5% and 100.0% of our total turnover for the corresponding periods. Our turnover has also included rental of machinery, and details of which are set out in the paragraph “Our Machinery” in this section. Our customers under construction contracts are primarily the main contractors of various types of development projects in Hong Kong. During the Track Record Period, we also acted as main contractor for a foundation and substructure construction project in Hong Kong. Our customer for this project is the land owner. All of our customers are located in Hong Kong and all of our service fees are denominated in HK dollars.

During the Track Record Period, some customers awarded more than one construction project to us. The number of customers with projects contributed to our turnover was 17, 10, 9 and 5 for the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014, respectively. The drop in the number of customers during the Track Record Period was in line with our business strategy of focusing on relatively sizeable projects. For the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014, there was/were 1, 2, 3 and nil project(s) respectively with turnover recognised in the respective period with contract sum over HK\$100 million.

Major customers

For the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014, the percentage of our Group’s total turnover attributable to our Group’s largest customer was approximately 71.4%, 77.7%, 28.0% and 40.2% for the corresponding periods respectively, while the percentage of our Group’s total turnover attributable to our five largest customers in aggregate was approximately 95.0%, 97.5%, 96.0% and 100.0% respectively.

BUSINESS

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

For the year ended 31 March 2012

Rank	Customer	Background of customer	HK\$'000	% of total turnover	Type of services provided	Length of relationship with our Group (year(s))
1	Hsin Chong Companies ^(Note 1)	Construction contractor and supplier of construction materials; public company listed in HK	142,648	71.4	ELS works, pile caps construction and substructure construction	10
2	Paul Y. Companies ^(Note 2)	Construction contractor; headquartered in HK	24,572	12.3	ELS works and pile caps construction	6
3	Customer C/ Supplier H ^(Note 3)	Construction contractor; public company listed in HK	12,372	6.2	Piling works	1
4	Customer D	Construction contractor; public company listed in Australia	5,658	2.8	ELS works	<1
5	Customer E/ Subcontractor A ^(Note 4)	Construction contractor; private company in HK	4,503	2.3	ELS works	9
Five largest customers combined			<u>189,753</u>	<u>95.0</u>		

BUSINESS

For the year ended 31 March 2013

Rank	Customer	Background of customer	HK\$'000	% of total turnover	Type of services provided	Length of relationship with our Group (year(s))
1	Hsin Chong Companies ^(Note 1)	Construction contractor and supplier of construction materials; public company listed in HK	351,515	77.7	ELS works and pile caps construction	11
2	Paul Y. Companies ^(Note 2)	Construction contractor; headquartered in HK	46,256	10.2	ELS works, pile caps construction and substructure construction	7
3	Customer F/ Supplier I ^(Note 5)	Construction contractor; public company listed in HK	19,912	4.5	ELS works and substructure construction	11
4	Customer G	Construction contractor; joint venture company established in HK	16,502	3.6	ELS works	<1
5	Chi Fu	Construction contractor; related party to our Group during the Track Record Period	6,933	1.5	ELS works	3
Five largest customers combined			<u>441,118</u>	<u>97.5</u>		

BUSINESS

For the year ended 31 March 2014

Rank	Customer	Background of customer	HK\$'000	% of total turnover	Type of services provided	Length of relationship with our Group (year(s))
1	Hsin Chong Companies ^(Note 1)	Construction contractor and supplier of construction materials; public company listed in HK	162,826	28.0	ELS works, pile caps construction and substructure construction	12
2	Paul Y. Companies ^(Note 2)	Construction contractor; headquartered in HK	155,137	26.7	ELS works, pile caps construction and substructure construction	8
3	Sanfield (Management) Limited ^(Note 6)	Construction contractor; public company listed in HK	113,839	19.6	ELS works	13
4	Customer F/ Supplier I ^(Note 5)	Construction contractor; public company listed in HK	109,302	18.8	ELS works	12
5	Chi Fu	Construction contractor; related party to our Group during the Track Record Period	17,088	2.9	ELS works	4
Five largest customers combined			<u>558,192</u>	<u>96.0</u>		

BUSINESS

For the three months ended 30 June 2014

Rank	Customer	Background of customer	HK\$'000	% of total turnover	Type of services provided	Length of relationship with our Group (year(s))
1	Hsin Chong Companies ^(Note 1)	Construction contractor; public company listed in HK	78,959	40.2	ELS works, pile caps construction and substructure construction	13
2	Paul Y. Companies ^(Note 2)	Construction contractor; headquartered in HK	53,755	27.3	ELS works, pile caps construction and substructure construction	9
3	Sanfield (Management) Limited ^(Note 6)	Construction contractor; public company listed in HK	49,538	25.2	ELS works	13
4	Customer F/ Supplier I ^(Note 5)	Construction contractor; public company listed in HK	10,000	5.1	ELS works	12
5	Stanhope Holdings Limited	Land owner	4,368	2.2	ELS works and pile caps construction	<1
Five largest customers combined			<u>196,620</u>	<u>100.0</u>		

Notes:

1. Hsin Chong Companies are both a customer and a supplier of our Group and are owned by the same independent third party.
2. Paul Y. Companies are both a customer and a supplier of our Group and are owned by the same independent third party.
3. Customer C and Supplier H are owned by the same independent third party.
4. Customer E and Subcontractor A are owned by the same independent third party.
5. Customer F and Supplier I are owned by the same independent third party.
6. Sanfield (Management) Limited is both a customer and a supplier of our Group and owned by the same independent third party.

BUSINESS

Inter-relationship between our customers, suppliers and subcontractors

During the Track Record Period, some of our customers were also our suppliers or subcontractors, set out below are information on the arrangement.

Relationship with customers that were also our suppliers during the Track Record Period

At times, our customers procure materials on our behalf for their projects and therefore some of our customers were also our suppliers during the Track Record Period. To settle the cost of construction materials procured on our behalf, we will submit to our customers a payment application estimating the fee of our work done after deducting the costs of construction materials procured on our behalf during the relevant period. The procurement arrangements are usually set out in the contract with our customer. We set out below information in relation to our customers who were also our suppliers during the Track Record Period:

	For the year ended 31 March 2012 HK\$'000		For the year ended 31 March 2013 HK\$'000		For the year ended 31 March 2014 HK\$'000		For the three months ended 30 June 2014 HK\$'000	
		%		%		%		%
Hsin Chong Companies								
Turnover derived from transaction and % of total turnover with Hsin Chong Companies	142,648	71.4	351,515	77.7	162,826	28.0	78,959	40.2
Construction material costs charged and % of total purchases of construction materials, transportation services and diesel fuel to us	48,570	41.9	98,383	40.8	44,809	21.6	8,992	13.8
Weighted average of gross profit for projects with Hsin Chong Companies		1.7		9.7		16.4		5.8
Paul Y. Companies								
Turnover derived from transaction and % of total turnover with Paul Y. Companies	24,572	12.3	46,256	10.2	155,137	26.7	53,755	27.3
Construction material costs charged and % of total purchases of construction materials, transportation services and diesel fuel to us	2,585	2.2	3,010	1.2	8,134	3.9	1,432	2.2
Weighted average of gross profit for projects with Paul Y. Companies		18.6		15.0		12.0		28.7
Customer C/Supplier H								
Turnover derived from transaction and % of total turnover with Customer C	12,372	6.2	—	—	—	—	—	—
Construction material costs charged and % of total purchases of construction materials, transportation services and diesel fuel to us	676	0.6	—	—	1	<0.1	—	—
Weighted average of gross profit for projects with Customer C		15.4		—		—		—
Customer F/Supplier I								
Turnover derived from transaction and % of total turnover with Customer F	1,396	0.7	19,912	4.5	109,302	18.8	10,000	5.1
Construction material costs charged and % of total purchases of construction materials, transportation services and diesel fuel to us	7	<0.1	3,594	1.5	6,049	2.9	704	1.1

BUSINESS

	For the year ended 31 March 2012		For the year ended 31 March 2013		For the year ended 31 March 2014		For the three months ended 30 June 2014	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Weighted average of gross profit for projects with Customer F		42.5		12.7		7.9		7.8
Sanfield (Management) Limited								
Turnover derived from transaction and % of total turnover with Sanfield (Management) Limited	119	0.1	725	0.2	113,839	19.6	49,538	25.2
Construction material costs charged and % of total purchases of construction materials, transportation services and diesel fuel to us	—	—	30	<0.1	276	0.1	521	0.8
Weighted average of gross profit for projects with Sanfield (Management) Limited		34.8		89.1		10.5		14.1

As we undertake projects of considerably different scales, the turnover contribution from each customer varies. We determine the price for each project in accordance with our pricing strategy and the gross profit margin for each project is determined on a project-by-project basis. For details of our pricing strategy, please refer to the paragraph “Pricing Strategy” in this section.

Relationships with customers that were also our subcontractors during the Track Record Period

Customer E/Subcontractor A engages in the provision of lateral support works services. During the Track Record Period, we provided foundation and substructure construction services for various projects as a subcontractor for Customer E/Subcontractor A. Our turnover with Customer E/Subcontractor A for the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014 amounted to HK\$4.5 million, HK\$3.0 million, HK\$3.8 million and nil representing 2.3%, 0.7%, 0.7% and nil of our total turnover for the corresponding periods respectively. After considering our capability, resources level, cost effectiveness and complexity of the project, we may subcontract certain works in a project to other subcontractors in Hong Kong. During the Track Record Period, we engaged Customer E/Subcontractor A to provide lateral support works services for our projects. For the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014, the subcontracting charges charged to Customer E/Subcontractor A amounted to HK\$6.0 million, HK\$10.6 million, HK\$24.2 million and HK\$11.5 million representing 25.4%, 13.4%, 15.9% and 27.7% of the total subcontracting works performed respectively. Whilst we engaged other subcontractors in the same project, the terms of engagement we entered into with other subcontractors were similar to those we entered into with Customer E/Subcontractor A. The weighted average gross profit margin for projects with Customer E/Subcontractor A is approximately 14.9%, 38.4%, 40.8% and nil for the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014, respectively.

BUSINESS

Relationship with Chi Fu

During the Track Record Period, our Company entered into various business activities with Chi Fu, including (i) provision of our foundation and substructure construction services; (ii) subcontracting services provided by Chi Fu to us; (iii) lease of machinery; (iv) purchases of machinery from Chi Fu; and (v) disposal of motor vehicle to Chi Fu.

For the projects engaged by Chi Fu, we acted as subcontractor and provided our foundation and substructure construction services to Chi Fu. For the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014 the turnover recognised from Chi Fu amounted to approximately HK\$4.2 million, HK\$6.9 million, HK\$17.1 million and nil representing approximately 2.1%, 1.5%, 2.9% and nil of our total turnover respectively. For the projects engaging Chi Fu, upon considering our capacity, resources level, cost effectiveness and complexity of the projects during the Track Record Period, Chi Fu was engaged as a subcontractor for our projects, and our subcontracting charges paid to Chi Fu were approximately HK\$0.7 million, HK\$50,900, HK\$0.2 million and nil for the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014 representing approximately 2.8%, 0.1%, 0.1% and nil of the total subcontracting works performed by our subcontractors for the corresponding periods respectively. The weighted average of the gross profit margin for the projects engaging Chi Fu is approximately 14.6%, 22.8%, 12.1% and nil respectively. Our Directors considered, and the Sponsor concurred, that our transactions with Chi Fu during the Track Record Period were conducted on normal commercial terms.

For information on Chi Fu and the related party transactions, please refer to the section “Financial Information — Related Party Transactions — Transactions with Chi Fu”.

Other than Chi Fu, none of our Directors, their associates, or any Shareholders who owned more than 5% of the share capital of our Company as at the Latest Practicable Date had any interest in any of the five largest customers of our Group during the Track Record Period.

Pricing strategy

Our pricing is determined on a project-by-project basis depending on: (i) the nature, scope and complexity of the project; (ii) the estimated number and types of workers required; (iii) the estimated number and types of machinery required; (iv) the completion time requested by customer; (v) any further subcontracting needed; (vi) the prospect of obtaining future contracts from the customer; and (vii) the prevailing market conditions.

When determining the tender price, we generally take into account the estimated material costs with reference to the relevant price indicators, such as the material index and labour prices, of the preceding month. When there is price fluctuation in the preceding month which our management considers to be material, we would obtain pre-bid quotations from our suppliers for preparation of the schedule of rates which would form part of the tender document and govern the relevant material costs for the entire project. The pre-bid quotation would be conclusive between our suppliers and us once the tender is accepted by our customers and hence our material costs can be passed on to our customers notwithstanding the fact that price adjustment clause is generally not included in our construction contracts.

BUSINESS

As we undertake projects of considerably different scales, the turnover contribution from each customer to us varies significantly from customer to customer. During the Track Record Period, we recorded losses in two projects with contract sums of approximately HK\$90,000 and HK\$0.7 million, which incurred gross losses of approximately HK\$17,000 and HK\$0.3 million respectively. The projects were completed during the year ended 31 March 2012 and 2014 and the gross losses were mainly due to the delay of the completion of the projects.

Principal terms of construction contract

Our customers engage us on a project-by-project basis instead of entering into long-term contract. Our Directors consider that such arrangement is in line with the industry practice.

Generally, the terms of our construction contract with main contractor mirror the terms of the contract between the main contractor and the land owner. Below are some of the generalised terms included in most of our contracts:

Contract sum	:	Contained a schedule of rates with breakdowns of specifications of work to be done, including unit price and sizes of construction materials to be used
Specifications	:	Reference is made to the tender submitted. Detailed specifications and drawings in architectural, structural and technical areas, and equipment and materials to be used
Subcontracting	:	Subcontracting is allowed. Our Group shall supervise and be liable to the works of the subcontractors
Site facilities and materials	:	The contractual parties would agree on the site facilities and arrangements, such as security guards, traffic control and disposal of waste, to be provided by the main contractor. Some of the main contractors would procure construction materials on our behalf and arrange delivery to the construction site
Insurance	:	Our Group shall maintain policies of insurance against its employees and other workers on site whereas our customers shall arrange insurance policies for employees' compensation insurance, construction all risk insurance and third party liability insurance
Payment terms	:	Interim payment application shall be submitted on a monthly basis
Defect liability period and retention money	:	Defect liability period of up to 12 months Usually up to 10% of each interim payment and up to a maximum limit of 5% of the total contact sum would be retained as retention money which shall be released upon the end of the defect liability period and subject to agreement of the final account

BUSINESS

Credit policy

Based on the activity carried out in the preceding month, we submit to our customers a payment application for an interim payment which generally includes the estimated fee for our work done, the list of construction materials delivered to the site and other expenses, such as waste disposal charger, incurred. Once our customer is satisfied with our interim payment application, an interim payment certificate will be issued to us usually within 1 month. We will then issue an invoice to our customer. Our customer will settle the interim payment with us by cheque and will retain a certain percentage of our fee as retention money. We will usually grant our customer a credit period ranging from 0 to 42 days from the date of issuance of our invoice.

Our customers will usually retain up to 10% of each interim payment and up to a maximum limit of 5% of the total contract sum as retention money. Normally, half of the retention money will be released upon completion of our works and half of the retention money will be released upon the agreement of the final account between our customers and us.

We maintain a register of interim payment applications submitted and payment certificates issued by the customers to ensure all corresponding payment certificates have been received or followed up with our customers on a timely basis. Upon the due date of retention receivables, our quantity surveyor will follow up with our customers by contacting the customers directly and re-issue the invoices if necessary. Our management will also consider issuing demand letter to our customers if there is any difficulties to collect the retention receivables. For details on our receivable turnover days, please refer to the section “Financial Information — Analysis of Various Items from the Statements of Financial Position”.

Seasonality

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

Reliance on major customers

The aggregate turnover from our five largest customers amounted to approximately HK\$189.8 million, HK\$441.1 million, HK\$558.2 million and HK\$196.6 million for the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014 respectively, representing approximately 95.0%, 97.5%, 96.0% and 100.0% of our total turnover for the corresponding periods respectively.

For the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014, turnover from our largest customer, Hsin Chong Companies, amounted to approximately HK\$142.6 million, HK\$351.5 million, HK\$162.8 million and HK\$79.0 million, representing approximately 71.4%, 77.7%, 28.0% and 40.2% of our total turnover for the corresponding periods respectively. The turnover attributable to Hsin Chong Companies dropped from 77.7% for the year ended 31 March 2013 to 28.0% for the year ended 31 March 2014, which was primarily due to the completion of two construction projects during the year ended 31 March 2014 of which we recognised relatively significant amount of turnover from Hsin Chong Companies during the year ended 31 March

BUSINESS

2013. For the year ended 31 March 2013, among all the construction projects awarded by Hsin Chong Companies, 2 of which contributed over HK\$100 million to our turnover. For the year ended 31 March 2014, none of the construction projects awarded by Hsin Chong Companies contributed over HK\$100 million to our turnover leading to a drop in turnover contributed by Hsin Chong Companies.

Our relationship with Hsin Chong Companies

Background of Hsin Chong Companies

With headquarters situated in Hong Kong, the holding company of the Hsin Chong Companies has been listed on the Main Board of the Stock Exchange since August 1991. Hsin Chong Companies have principally engaged in building construction, civil engineering, electrical and mechanical installation, interiors and special projects, property development and investment, and provision of property and facility management services.

As disclosed in the annual report of the holding company of the Hsin Chong Companies, the cost of construction amounted to approximately HK\$10,242.9 million, or approximately 93.7% of its cost of sales, for the year ended 31 December 2013. According to IPSOS Report, Hsin Chong Companies are one of the key main contractors in Hong Kong.

Relationship with Hsin Chong Companies

We started to provide foundation and substructure construction services to Hsin Chong Companies as a subcontractor in March 2001. During the Track Record Period, Hsin Chong Companies awarded 6 projects to us, 3 of which with contract sum over HK\$100 million.

Hsin Chong Companies has also supplied construction materials to our Group during the Track Record Period. For details, please refer to the paragraph “Customers — Inter-relationship between our Customers, Suppliers and Subcontractors” in this section.

Contractual arrangement with Hsin Chong Companies

In line our arrangements with other customers, we entered into construction contracts with Hsin Chong Companies on a project-by-project basis. Under our sub-contract agreement, it generally contains material terms including (i) interim payment terms which require Hsin Chong Companies to pay us on a monthly basis with a credit term of 21 days and schedule of rates for the interim and final payments under which, Hsin Chong Companies are entitled to retain up to 10% of each interim payment and up to a maximum limit of 5% of the total contract sum as retention money; (ii) supervision and human resources arrangement under which Hsin Chong Companies would arrange personnel responsible for managing the project on site, such as project manager, safety officer and quantity surveyor, whereas our Group would engage other subcontractors to carry out the works if necessary; (iii) materials procurement as to whether Hsin Chong Companies would procure on our behalf the construction materials, such as concrete and steel; (iv) procurement and maintenance of insurance by our Group; and (v) defect liability period of 12 months, etc.

BUSINESS

Pursuant to our contractual arrangement, Hsin Chong Companies have the right to terminate our sub-contract agreement anytime by notice if the main contract between Hsin Chong Companies and their customer is terminated. Upon such termination, Hsin Chong Companies shall pay us the total value of all works executed, costs of materials ordered and any costs to be certified to Hsin Chong Companies which are not yet covered by any issued interim payments. Our Directors confirm that Hsin Chong Companies have never terminated our contracts up to the Latest Practicable Date.

In view of the sufficiency of the Group's capacity in the future, our Directors confirm that our Group has no intention to confine its business into serving only a few major customers. Our Directors also consider that our reliance on Hsin Chong Companies during the Track Record Period would not affect our business prospects based on the following factors:

Sound track records

We have been providing foundation and substructure construction services in Hong Kong for over 10 years. Our Directors believe that our established operating history with a wide range of project references supports us in consolidating our reputation and would assist our Group in securing projects from different main contractors, as well as foundation subcontractors. In particular, Hsin Chong Companies are one of the key players in the construction industry in Hong Kong. Our Directors believe that our relationship with Hsin Chong Companies could enhance our project references through building a positive reputation in the industry.

Our flexibility and capability to take up projects of different scales

Our Group's performance is, to a significant extent, attributable to our possession of a broad range of machinery. We possess sufficient number of up-to-date machinery which enables us to perform foundation and substructure construction works of different scales and complexity. To utilise our assets and facilities our work effectively, we rely on management who has extensive knowledge and experience in the industry. We also have a project team with members possessing relevant academic background and industry experience. We are capable of providing recommendations on the projects in order to meet the requirement of our customers.

Our future business plan

Our business opportunities arose mainly from invitation for quotation by customers. In the foundation and substructure construction industry in Hong Kong, reputation, relationships with customers, flexibility and price constitute the key factors of competition and we consider that our customers will select their foundation and substructure construction contractors based on these factors. According to IPSOS Report, we ranked second among all foundation and substructure companies in Hong Kong in terms of turnover for the year ended 31 March 2014 with 2.4% of the share of the industry demonstrating our reputation in the industry. In addition, our business relationships with our five largest customers range from 1 year to 13 years as at 30 June 2014. Although our five largest customers represent over 90% of our turnover for each of the three years ended 31 March 2012, 2013 and 2014, the scale of projects from these major customers continue to grow. We have 1, 2 and 3 project(s) with turnover recognised of over HK\$100 million; and (ii) we commenced 1, 3 and 3 project(s) with contract sum over HK\$100 million respectively during the three years ended 31

BUSINESS

March 2012, 2013 and 2014 and the three months ended 30 June 2014 demonstrating our business strategy to pursue relatively sizeable foundation and substructure construction projects contracts. As such, we intend to purchase additional machinery to cater for a wider range of requirements from our customers. We intend to use approximately HK\$40.0 million from the net proceeds to purchase machinery for our services and approximately HK\$7.5 million from the net proceeds to recruit additional staff members to capture these business opportunities. As at the Latest Practicable Date, we had 13 projects in progress (representing projects that had commenced but not completed) which, based on the total contract sum of such projects, are expected to contribute approximately HK\$479.4 million and approximately HK\$256.7 million to our turnover from the Latest Practicable Date to 31 March 2015 and for the year ending 31 March 2016, respectively. Among these, contracts entered into between our Group and customers other than Hsin Chong Companies accounted for 9 projects, or approximately 34.7% being HK\$255.7 million of the total expected turnover to be recognised.

SUPPLIERS

Our suppliers primarily supply the following materials or services to us: (i) construction materials such as concrete and steel; (ii) diesel fuel; and (iii) transportation services.

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

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

	For the year ended 31 March			For the three months ended
	2012	2013	2014	30 June 2014
Construction materials	31	38	47	39
Diesel fuel	1	1	2	2
Transportation services	5	10	8	7

The increase in number of suppliers of construction materials for the year ended 31 March 2014 was mainly because we were able to obtain quotations of materials price from more suppliers and chose to increase our purchase from suppliers which could deliver materials at a more favorable cost

BUSINESS

and/or in a timely manner in view of our selection criteria for suppliers. During the Track Record Period, we did not experience any material shortage or delay in the supply of materials or services that we required. Our Directors consider that the possibility of material shortage or delay is low given the abundance of suppliers of similar materials or services in the market.

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

Major suppliers

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

For the year ended 31 March 2012

Rank	Supplier	Background of the supplier	Purchase HK\$'000	% of total purchases of construction materials, diesel fuel and transportation services	Type of purchases	Length of relationship with our Group (year(s))
1	Hsin Chong Companies ^(Notes 1 and 3)	Construction contractor and supplier of construction materials; public company listed in HK	48,570	41.9	Construction materials	10
2	Supplier B	Provision of transportation services	35,212	30.4	Transportation services	7
3	Supplier C	Supplier of steel	10,833	9.4	Construction materials	4
4	Supplier D	Supplier of fuel	6,315	5.5	Diesel fuel	6
5	Supplier E	Provision of transportation services	3,854	3.3	Transportation services	5
Five largest suppliers combined			<u>104,784</u>	<u>90.5</u>		

BUSINESS

For the year ended 31 March 2013

Rank	Supplier	Background of the supplier	Purchase <i>HK\$'000</i>	% of total purchases of construction materials, diesel fuel and transportation services	Type of purchases	Length of relationship with our Group <i>(year(s))</i>
1	Hsin Chong Companies ^(Notes 1 and 3)	Construction contractor and supplier of construction materials; public company listed in HK	98,383	40.8	Construction materials	11
2	Supplier F	Supplier of construction material	44,956	18.7	Construction materials	< 1
3	Supplier B	Provision of transportation services	41,418	17.2	Transportation services	8
4	Supplier C	Supplier of steel	24,045	10.0	Construction materials	5
5	Supplier D	Supplier of fuel	<u>11,394</u>	<u>4.7</u>	Diesel fuel	7
Five largest suppliers combined			<u>220,196</u>	<u>91.4</u>		

BUSINESS

For the year ended 31 March 2014

Rank	Supplier	Background of the supplier	Purchase <i>HK\$'000</i>	% of total purchases of construction materials, diesel fuel and transportation services	Type of purchases	Length of relationship with our Group <i>(year(s))</i>
1	Supplier C	Supply of steel	83,101	40.0	Construction materials	6
2	Hsin Chong Companies ^(Notes 1 and 3)	Construction contractor and supplier of construction materials; public company listed in HK	44,809	21.6	Construction materials	12
3	Supplier B	Provision of transportation services	37,033	17.8	Transportation services	9
4	Supplier D	Supplier of fuel	10,580	5.1	Diesel fuel	8
5	Paul Y. Companies ^(Notes 2 and 3)	Construction contractor	8,134	3.9	Construction materials	8
Five largest suppliers combined			<u>183,657</u>	<u>88.4</u>		

BUSINESS

For the three months ended 30 June 2014

Rank	Supplier	Background of the supplier	Purchase <i>HK\$'000</i>	% of total purchases of construction materials, diesel fuel and transportation services	Type of purchases	Length of relationship with our Group <i>(year(s))</i>
1	Supplier F	Supplier of construction material	21,743	33.4	Construction material	2
2	Supplier C	Supplier of steel	14,443	22.2	Construction materials	7
3	Supplier B	Provision of transportation services	9,133	14.0	Transportation services	9
4	Hsin Chong Companies ^(Notes 1 and 3)	Construction contractor and supplier of construction materials; public company listed in HK	8,992	13.8	Construction materials	13
5	Supplier K	Supplier of steel	2,967	4.5	Construction materials	9
Five largest suppliers combined			<u>57,278</u>	<u>87.9</u>		

Notes:

1. Hsin Chong Companies are both a supplier and a customer of our Group and are owned by the same independent third party.
2. Paul Y. Companies are both a supplier and a customer of our Group and are owned by the same independent third party.
3. For relationships with Hsin Chong Companies and Paul Y. Companies with our Group during the Track Record Period, please refer to the paragraph "Customers — Major Customers" in this section.

None of our Directors, their associates or any Shareholder who owns more than 5% of the issued share capital of our Company had any interest in any of our five largest suppliers during the Track Record Period.

Credit terms

Most of our suppliers are located in Hong Kong and all of our purchases are denominated in HK dollars. The credit terms granted by our suppliers range from 0 to 60 days and we settle our payment by cheque.

BUSINESS

SUBCONTRACTING

Depending on our capacity, resources level, cost effectiveness and complexity of the project, we may subcontract certain activities in a project to other subcontractors in Hong Kong. During the Track Record Period, our subcontracted works include piling works, lateral support works, formwork erection works, reinforcement bar fixing works and concreting works.

Our subcontractors include sole proprietors as well as companies which generally have the available skills and manpower to perform the activities. During the Track Record Period, the number of subcontractors engaged by our Group was 42, 60, 52 and 29 for the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014, respectively. During the Track Record Period, all of our subcontractors were located in Hong Kong and all of our service fees were denominated in HK dollars.

We are responsible to our customers for the works performed in a project, including those carried out by our subcontractors, regardless of whether we act as main contractor or subcontractor for a project. Our customers (including land owners and main contractors) do not limit us in the use of subcontractor for a project or which subcontractor to be used by us.

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

Major subcontractors

For the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014, approximately 25.4%, 44.1%, 27.5% and 32.0% of the total subcontracting works performed by our subcontractors respectively were attributable to our largest subcontractor of the year. For the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014, approximately 71.3%, 81.2%, 76.8% and 78.5% of the total subcontracting works performed by our subcontractors respectively were attributable to our five largest subcontractors.

For the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014, the total subcontracting works performed by subcontractors amounted to approximately HK\$32.3 million, HK\$73.6 million, HK\$172.7 million and HK\$64.5 million respectively.

BUSINESS

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

For the year ended 31 March 2012

Rank	Subcontractor	Subcontracting works performed <i>HK\$'000</i>	% of total subcontracting works performed	Type of subcontracting works performed	Length of relationship with our Group <i>(year(s))</i>
1	Customer E/ Subcontractor A ^(Note)	5,982	25.4	Provision of lateral support works	9
2	Subcontractor B	4,968	21.1	Provision of piling works	<1
3	Subcontractor C	3,710	15.7	Provision of reinforcement bar fixing works	<1
4	Subcontractor D	1,391	5.9	Provision of formwork erection works	<1
5	Subcontractor E	743	3.2	Provision of reinforcement bar fixing works	4
	Five largest subcontractors combined	<u>16,794</u>	<u>71.3</u>		

For the year ended 31 March 2013

Rank	Subcontractor	Subcontracting works performed <i>HK\$'000</i>	% of total subcontracting works performed	Type of subcontracting works performed	Length of relationship with our Group <i>(year(s))</i>
1	Subcontractor F	34,902	44.1	Provision of piling works	6
2	Customer E/ Subcontractor A ^(Note)	10,602	13.4	Provision of lateral support works	10
3	Subcontractor C	9,258	11.7	Provision of reinforcement bar fixing works	1
4	Subcontractor D	5,575	7.1	Provision of formwork erection works	1
5	Subcontractor G	3,913	4.9	Provision of concreting works	1
	Five largest subcontractors combined	<u>64,250</u>	<u>81.2</u>		

BUSINESS

For the year ended 31 March 2014

Rank	Subcontractor	Subcontracting works performed <i>HK\$'000</i>	% or total subcontracting works performed	Type of subcontracting works performed	Length of relationship with our Group <i>(year(s))</i>
1	Subcontractor H	41,809	27.5	Provision of piling works	2
2	Subcontractor F	31,387	20.6	Provision of piling works	7
3	Customer E/ Subcontractor A ^(Note)	24,202	15.9	Provision of lateral support works	11
4	Subcontractor C	9,955	6.5	Provision of reinforcement bar fixing works	2
5	Subcontractor I	<u>9,549</u>	<u>6.3</u>	Provision of pile works	<1
	Five largest subcontractors combined	<u>116,902</u>	<u>76.8</u>		

For the three month ended 30 June 2014

Rank	Subcontractor	Subcontracting works performed <i>HK\$'000</i>	% or total subcontracting works performed	Type of subcontracting works performed	Length of relationship with our Group <i>(year(s))</i>
1	Subcontractor F	13,243	32.0	Provision of piling works	7
2	Customer E/ Subcontractor A ^(Note)	11,480	27.7	Provision of lateral support works	11
3	Subcontractor K	3,158	7.6	Provision of piling works	6
4	Subcontractor L	3,000	7.2	Provision of hoarding works	1
5	Subcontractor M	<u>1,657</u>	<u>4.0</u>	Provision of lateral support works	<1
	Five largest subcontractors combined	<u>32,538</u>	<u>78.5</u>		

Note:

Customer E and subcontractor A are owned by the same independent third party. For relationship with customer E/subcontractor A with our Company during the Track Record Period, please refer to paragraph “Customers — Major Customers” in this section.

BUSINESS

During the Track Record Period, we acted as subcontractor and provided our foundation and substructure construction services to Chi Fu, and subcontracting services was provided by Chi Fu to us. The subcontracting charges paid to Chi Fu for the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014 amounted to approximately HK\$0.7 million, HK\$50,900, HK\$0.2 million and nil, representing approximately 2.8%, 0.1%, 0.1%, and nil of the total subcontracting works performed by our subcontractors for the corresponding periods respectively. For further information, please refer to the section “Financial Information — Related Party Transactions — Transactions with Chi Fu”.

Other than Chi Fu, none of our Directors, their associates, or any Shareholders who owned more than 5% of the share capital of our Company as at the Latest Practicable Date had any interest in any of the five largest subcontractors of our Group during the Track Record Period.

Basis of selecting of subcontractors

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

Subcontracting process

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

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

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

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

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

BUSINESS

Key terms of subcontracting engagement

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

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

Control on subcontractors

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

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

For information on our in-house rules in relation to work quality, occupational safety and environmental protection, please refer to the paragraphs “Quality control”, “Occupational Health and Safety” and “Environmental Compliance” in this section.

During the Track Record Period, there were no material claims of injuries arising from subcontracting activities nor were there any claims from our customers in relation to the quality of the works performed by our subcontractors.

OUR MACHINERY

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

BUSINESS

For the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014, we acquired new machinery in the amount of approximately HK\$0.9 million, HK\$37.4 million, HK\$38.7 million and HK\$4.0 million respectively. As at 30 June 2014, our machinery carried a net book value of approximately HK\$57.4 million. Set out below are the cost of acquisition of machinery by different age groups as at 30 June 2014:

Age group	Cost of acquisition of machinery as at 30 June 2014 <i>HK\$'000</i>
Less than 1 year	36,656
1 year to less than 2 years	19,717
2 years to less than 3 years	19,641
3 years to less than 4 years	6,615
4 years to less than 5 years	5,588
Over 5 years	<u>16,201</u>
	<u>104,418</u>

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

(i) **Excavator**



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

(ii) **Crawler crane**



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

BUSINESS

(iii) Hydraulic rock breaker



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

(iv) Hydraulic crawler driller



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

Rental income from lease of machinery

During the Track Record Period, we leased our machinery to customers if the machinery was not required for other construction projects during the relevant period. Prior to entering into any leasing arrangements, we will evaluate whether such arrangement would impede our Group's ability to complete the ongoing projects and to compete for any potential foundation and substructure projects in future. We do not actively seek nor intend to actively seek opportunities to lease our machinery to our customers, and generally, our customers approach us to lease our machinery. Our rental charges are determined by duration and rate of usage and whether operator for the machinery is required.

For the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014, our rental income generated from the lease of machinery represents approximately 2.1%, 0.5%, 0.5% and nil of our total turnover respectively. For rental income generated from the lease of machinery to Chi Fu, please refer to section "Financial Information — Related Party Transactions".

Repair and maintenance and replacement

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

At times during the project, there may be wear and tear from usage of the machinery such as wearing off of the teeth on the bucket of an excavator. Our plant operator could repair the machinery or replace such wear and tear. The weighted average age of our machinery based on the cost of acquisition is approximately 2.5 years. The weighted average remaining useful life of our machinery based on accounting estimation is approximately 2.6 years. We replace aged machinery only when the replacement is necessary.

BUSINESS

Pursuant to our accounting policies, depreciation of machinery is provided for using straight-line method over a period of 4 to 5 years.

Safekeeping of machinery

Machinery that is not in use are generally stored in our warehouse located in Yuen Long, which are equipped with locked gates and closed-circuit television security cameras. We also have security guard on duty at our Yuen Long warehouse.

We usually purchase plant and machinery insurance policy for machinery that are under finance leases for loss or damage.

Transporting of machinery

Our Company possesses motor vehicles that could transport machinery up to 20 tonnes. For other machinery, we engage third party in transporting machinery to and from our warehouse to the site or between sites.

Financing arrangements for the purchase of machinery

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

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

For the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014, the interest rates ranged from 2.5% to 8.7%, from 2.5% to 8.7%, from 2.5% to 8.7%, and from 2.5% to 6.8% per annum for our banking facilities (including finance leases) respectively. Our Group had machinery under finance leases with net book value of approximately HK\$34.7 million as at 30 June 2014, representing approximately 60.4% of the net book value of machinery.

BUSINESS

Service capacity and utilisation rate

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

- (i) different projects require different types of machinery depending on their functions and it is therefore not entirely feasible to quantify the capacity of each piece of machinery by making reference to an objective and comparable scale or standard of measurement;
- (ii) the utilisation rate of individual machinery cannot be clearly defined. A typical foundation and substructure project requires the use of different machinery at different stages, and machinery from time to time is left unused in active construction sites pending completion of other stages. Machinery is also sometimes left unused for repairing or maintenance at work sites or at our warehouse; and
- (iii) as set out in the fixed asset register of our Group as at 30 June 2014, we had more than 140 units of machinery and over 15 types of machinery of various sizes and capacity. Given the number of machinery owned by our Group, it is impracticable for our Group to track in details the usage of each individual machinery.

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

MARKET COMPETITION AND ENTRY BARRIERS IN HONG KONG

Competitive landscape of foundation and substructure construction industry

The foundation and substructure construction works services providers mainly compete on (i) reputation and track records; (ii) long-term relationship with customers; (iii) flexibility; and (iv) price.

Reputation and track records

The reputation and credibility of a foundation and substructure construction works service provider are based on its track record from previous projects. Timeliness of delivery, quality of work, and safety and environment requirement fulfillments are the important aspects of consideration of the potential customers.

Foundation and substructure construction works services providers with strong reputation and credibility are more likely to gain trust from their customers, including the main contractors of construction industry, the foundation main contractors, and sometimes the foundation subcontractors, and increase the likelihood of winning projects.

BUSINESS

Long-term relationship with customers

Most of the customers of the foundation and substructure construction works services providers are active players in the construction industry in Hong Kong. Therefore, well-established and long-term relationship with customers may increase the foundation and substructure construction works services providers' opportunities to retain the existing customers and win projects.

Flexibility

Foundation and substructure construction works service providers who have greater flexibility in fulfilling the timeline of their customers are more likely to win projects, because they may have a higher capability of sourcing and allocation of resources including skilled workers and machinery to perform works of different scales and complexity to fulfill the timeline set by their customers. Fulfilling the timeline of customers is important in the foundation and substructure construction industry as there are generally penalties for delay.

Price

Price is an important consideration for the customers when selecting the foundation and substructure construction works service providers. In general, the customers of the foundation and substructure construction works service providers who can offer a more competitive price and retain the quality of works and services are more likely to win projects.

Entry barriers in the foundation and substructure construction industry

Knowledge and qualifications

It is necessary for foundation and substructure construction works service providers to possess sufficient knowledge in the legal and other parameters of the foundation and substructure industry, including the Buildings Ordinance, geology and foundation technologies. New entrants will find it difficult to enter into the industry without sufficient knowledge in the foundation industry in Hong Kong.

Main contractors of foundation and substructure construction works are required to register with the Building Authority as registered general building contractors or registered specialist contractors. Foundation and substructure construction works service providers may be required to be registered under SRS if they intend to tender for certain government projects.

Relationships with main contractors and/or other foundation subcontractors

Main contractor and/or other subcontractor subcontracts foundation and substructure construction works to us, and therefore, having a good relationship with the main contractor and/or other subcontractors are important for us to have first-hand information about new projects, which gives us first-mover advantage and thus enhance our chance of winning new projects. New entrants without an established relationship with the main contractor and/or other subcontractor may be slow to learn about new projects.

BUSINESS

Substantial initial and continued capital

Capital is a key success factor in the foundation and substructure construction business, as machinery is generally expensive. It is difficult for new entrants without enough capital to operate successfully in the industry.

SALES AND MARKETING

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

We currently do not maintain a sales and marketing team. Our executive Directors participate in the sales and marketing activities such as dinners hosted by other industry players. We contact our customers to maintain a good relationship with them, to obtain market and industry information, and to seek business opportunities. In addition, we have registered with the SRS, a scheme under which our name is posted on a website which is readily assessable by the public and thus enhance our visibility.

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

QUALITY CONTROL

Quality control on projects

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

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

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

Quality control on materials

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

BUSINESS

OCCUPATIONAL HEALTH AND SAFETY

Occupational health and safety measures

We have established in-house rules to provide our workers with a safe and healthy working environment by specifying various safety measures. Among our in-house rules, we highlighted potential dangers in carrying out foundation and substructure construction works and specify corresponding measures and requirements for our workers to follow, including, among others:

Potential dangers

Injury caused in association with falling objects, slippery floor, noise, inhalation of harmful dusts, falling from high-altitude and welding for the foundation and substructure construction works

Injury caused in association with operating heavy machinery

Injury caused during excavation

Safety measures and requirements

Our workers are required to wear safety helmets when entering into work sites. In addition, depending on the types of work to be performed, our workers are also required to wear safety gloves, safety and welding masks and gloves, safety footwear, full-body harness, earmuffs and breathing masks.

Our workers are required to strictly follow our standard procedures for operating different types of machinery. In addition, our in-house rules also specify various safety measures which are required to be followed by our workers, including, among other things, ensuring that power is cut off before checking and cleaning the machinery or leaving an operating machinery unattended and wearing safety gloves, goggles and earmuffs.

Our workers are required to strictly follow our standard procedures for excavation including assessing the stability of the soil and/or ensuring sufficient and adequate support for excavation. In addition, protective gear should be worn including, safety helmets, safety footwear and safety gloves.

BUSINESS

In addition, we provide our employees with, and sponsor our employees to attend, occupational safety workshop and training organised by ourselves and by external parties to enhance their awareness of work safety. For instance, some of the courses attended by our employees include:

Course	Details
Electrical safety	A course organised by us on construction site
Safety training course for construction workers of specified trade — construction materials rigger	A course organised by the Construction Industry Council Training Academy

For projects that we act as subcontractors, accidents that take place at work sites must be reported to our customers, which is usually the main contractor for the project, in accordance with the procedures mirrored those specified in the main contract between our customer and its own customer.

For projects that we act as main contractor, we are responsible for preparing the required documents for reporting the claim to the insurance company upon receiving notification of work injury. We liaise with the insurance company throughout the claiming procedures until the claim is settled.

During the Track Record Period and up to the Latest Practicable Date, we recorded the following accidents of which we paid compensation to the relevant injured employee by mutual agreement:

Date of accident	Nature of injury	Consequence
10 July 2013	Our employee suffered nose laceration	We granted a 5-day leave to the employee and made compensation to the employee. The accident was reported to the Commissioner for Labour
29 October 2013	Our employee suffered neck injury	We granted an 8-day leave to the employee. A discharge form was signed by the injured and the accident was reported to the Commissioner for Labour
7 April 2014	Our employee suffered finger injury	We granted an 8-day leave to the employee. A discharge form was signed by the injured and the accident was not reported to the Commissioner for Labour

BUSINESS

Regarding the case happened on 7 April 2014, we failed to report the injury to the Labour Department. Details of the accident are set out in the paragraph “Non-compliance” in this section.

The following table sets out a comparison between the industry average and our Group of the industrial accident rate per 1,000 workers and the industrial fatality rate per 1,000 workers in the construction industry for the years 2012 and 2013.

	Industry average <i>(Note 1)</i>	Our Group <i>(Note 2)</i>
2012		
Industrial accident rate per 1,000 workers in the construction industry	44.3	7.8
Industrial fatality rate per 1,000 workers in the construction industry	0.337	Nil
2013		
Industrial accident rate per 1,000 workers in construction industry	40.8	25.6
Industrial fatality rate per 1,000 workers in construction industry	0.277	Nil

Notes:

1. The statistics are sourced from the Occupational Safety and Health Statistics Bulletin Issue No. 14 published by Occupational Safety and Health Branch of the Labour Department of the government of Hong Kong.
2. Our Group’s accident rate is calculated as the number of accidents during the calendar year (i.e., 2 in 2012 and 7 in 2013) divided by the number of workers employed by our Group during the calendar year.

Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, our Group did not experience any material accidents in relation to workers’ safety.

External safety auditor

During the Track Record Period, we had engaged an external safety auditor to carry out safety audit with regards to our safety management system of construction sites to fulfill the requirements under the Factories and Industrial Undertakings (Safety Management) Regulation. The audited report was submitted to Labour Department along with the improvement plans such as obtaining details of safety policy and safety management system from subcontractors, requiring subcontractors to submit risk assessment reports of high risk activities, setting out rules, term and meeting procedures of the safety committee, all of which were fully implemented by our Group, accordingly.

During the Track Record Period, we did not receive any complaint or request for any kind of compensation from our customers due to any safety issues in relation to works performed by us or by our subcontractors and our Directors consider that our Group meet the adequate safety standards.

BUSINESS

Consultancy services

In 2012 and 2013, in view of cost, effectiveness concerns or whenever necessary, we had engaged two individual consultants, who were independent third parties, for provision of technical and contract advisory services to us. We selected our consultants based on a number of parameters including his experience in the industry, such as job reference and jobs involved, performance in previous engagements with our Group as advised by our management and other relevant qualifications possessed by the consultants. While we engage consultants on a project-by-project basis, we have had a business relationship with each of the consultants for over three years. The consultancy fees paid to the individual consultants for the years ended 31 March 2012 and 2013 amounted to approximately HK\$0.5 million and HK\$1.3 million respectively.

ENVIRONMENTAL COMPLIANCE

Environmental compliance measures

Our Group's operation is subject to certain environmental requirements pursuant to the laws of Hong Kong, including primarily those in relation to air pollution control, noise control and waste disposal. For details of the regulatory requirements, please refer to the section "Regulatory Overview".

Our in-house rules contain measures and work procedures governing environmental protection compliance that are required to be followed by our workers. Such measures and procedures include, among others:

Area	Measures
Air pollution control	(i) Dust suppression by use of water (ii) Installation of dust screens as required (iii) Use of low-dust techniques and equipment as required
Noise control	(i) Installation of acoustic barriers as required (ii) Inspection and maintenance of all equipment before use for compliance of permitted noise level (iii) Works to be undertaken in accordance with the permitted work hours as specified by our customers
Waste disposal	(i) Waste to be segregated into general wastes and construction wastes before transporting to landfills
Waste water disposal	(i) Use of sedimentation tanks to reduce the suspended solids in the waste water to be discharged (ii) After the sedimentation process to the waste water, pumping into the filtration plant before discharge into the approved discharge point by EPD

BUSINESS

For the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014, we respectively incurred approximately HK\$0.3 million, HK\$0.7 million, HK\$0.6 million and HK\$0.1 million in relation to compliance with applicable environmental rules and regulations. We estimate that our annual cost of compliance in the future will remain at a level similar to those during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, there was no material non-compliance with the applicable laws and regulations in relation to environmental protection.

INSURANCE

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

Under Section 40(1B) of the Employees' Compensation Ordinance, where a main contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK\$200 million per event to cover its liability and that of its subcontractor(s) under the Employees' Compensation Ordinance and at common law. Where a main contractor has taken out a policy of insurance under Section 40(1B) of the Employees' Compensation Ordinance, the principal contractor and a subcontractor insured under the policy shall be regarded as having complied with the relevant requirements of the Employees' Compensation Ordinance. As such, we are in practice covered by the insurance policy taken out by our customer who usually is the main contractor.

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

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

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

BUSINESS

EMPLOYEES

As at the Latest Practicable Date, we had 258 employees. All of our employees are stationed in Hong Kong. The following table sets forth a breakdown of the number of our employees by functions:

	As at 31 March			As at	As at
	2012	2013	2014	30 June	the Latest
				2014	Practicable
					Date
Management	2	2	2	2	3
Administration, accounting and finance	7	11	10	11	15
Project management and execution (including project managers, engineers, foremen, site agents and quantity surveyor)	29	30	35	49	65
Plant operators	19	40	48	42	60
Direct workers	58	82	78	81	115
Total	<u>115</u>	<u>165</u>	<u>173</u>	<u>185</u>	<u>258</u>

Relationships with staff

We did not experience any significant problems with our employees or any disruption to our operations due to labour disputes nor did we experience any difficulties in the recruitment and retaining of experienced or skilled staff members during the Track Record Period. Our Directors therefore consider that we have maintained good relationships with our employees.

Recruitment policies

We generally recruit our employees from the open market through placing recruitment advertisement and posting at the Labour Department of Hong Kong.

We endeavor to attract and retain appropriate and suitable personnel to serve our Group. Our Group assesses the available human resources on a continuous basis and will determine whether additional personnel are required to cope with the business development of our Group.

BUSINESS

Training and remuneration policy

We entered into separate labour contracts with each of our employees in accordance with the applicable labour laws of Hong Kong. The remuneration offered to employees generally includes salaries and bonuses. In general, we determine salaries of our employees based on each employee's qualification, position and seniority.

We provide various types of trainings to our employees and sponsor our employees to attend training courses. For details, please refer to the paragraph "Occupational Health and Safety" in this section.

PROPERTIES

As at the Latest Practicable Date, we did not own any property and we leased the following properties for our business operations:

Address	Landlord	Use of the property	Key terms of the tenancy
Unit 2307-08, 23/F., Elite Centre, 22 Hung To Road, Kwun Tong, Kowloon, Hong Kong	An independent third party	Office	Monthly rental of HK\$124,920 with tenancy period up to March 2016
No. P1, P2 and P3 on 3/F. and P6, P7 and P8 on 5/F., Elite Centre, 22 Hung To Road, Kwun Tong, Kowloon, Hong Kong	An independent third party	Parking	Monthly rental of HK\$21,000 with tenancy period up to March 2016
Lot No. 2525, 2535-2542, 2545-2546 in DD.102, Shiu Hum Village, San Tin, Yuen Long, New Territories, Hong Kong	An independent third party	Storage of machinery	Monthly rental of HK\$120,000 with tenancy period up to July 2018

Investment properties including a residential property owned by our Group with an aggregate net book value of approximately HK\$14.7 million as at 30 June 2014 which was subsequently sold to connected persons. For details on the transaction, please refer to the section "Financial Information — Related Party Transactions".


BUSINESS

As at 30 June 2014, no single property interest forming part of our Group's non property activities had a carrying amount of 15% or more of our total assets. Thus, this prospectus is exempted from compliance with the requirements of rules 5.01A and 5.01B of the Listing Rules and the requirements of Section 342(1) and paragraph 34(2) of the Third Schedule of the Companies (Winding Up and Miscellaneous Provisions) Ordinance with respect to the requirement of the inclusion of a property valuation report in this prospectus. Our Directors confirm that none of our property interests is individually material to our Group in terms of rental expenses.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we were the registrant of the following domain:
<http://www.cseng.com.hk>.

As at the Latest Practicable Date, we applied for the registration of the following trade mark in Hong Kong and the registration of which was still pending:

Trade mark	Jurisdiction	Classes
	Hong Kong	37

RESEARCH AND DEVELOPMENT

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

NON-COMPLIANCE

Our Directors confirm that save as disclosed below under the paragraph "Non-compliance" in this section, we complied with all applicable laws and regulations in Hong Kong (being the principal jurisdiction in which we operate) in all material respects during the Track Record Period and up to the Latest Practicable Date.

Summary of non-compliances

CS Engineering inadvertently breached certain Government leases and certain statutes, details of which are set out below:

Non-compliance with Government leases and outline zoning plan

Set out below are non-compliance by CS Engineering with certain Government leases and outline zoning plan:

Event(s) of the non-compliance	Reason(s) for the non-compliance	Remedial action(s) taken or to be taken	Legal consequence(s) and maximum penalty
<p>CS Engineering, as lessee, rented a parcel of land located in Yuen Long, the New Territories (the “Subject Land 1”) for its use of storage and warehousing during the period from October 2010 to September 2014.</p> <p>Under the relevant block Government lease, the lessee shall not convert the Subject Land 1, which is expressed to be demised as garden ground, into use for building purpose, other than for the proper occupation as garden ground without previous licence of the government of Hong Kong.</p> <p>Further, the lessee shall not erect any building or structure on the Subject Land 1 without having obtained the approval from the government of Hong Kong. As there were building and structures erected on the Subject Land 1 for use as storage and warehouse by CS Engineering, and there was no relevant licence or approval by the government of Hong Kong permitting the same during the material time, there was a breach of the relevant block Government lease of the Subject Land 1.</p>	<p>The breach was not wilful and due to absence of timely and professional advice at the material time.</p>	<p>Immediately upon becoming aware of the breach, CS Engineering terminated the tenancy agreement and had moved out of the Subject Land 1.</p>	<p>On 19 March 2014, the Planning Department issued an enforcement notice (the “Enforcement Notice 1”) under Section 23 of the Town Planning Ordinance to the owner of the Subject Land 1 for the unauthorized change of the user for storage (including deposit of containers) and required such use to be discontinued by 19 May 2014.</p> <p>As advised by the Legal Counsel, since CS Engineering is no longer in possession, occupation or use of the Subject Land 1 since 31 May 2012. It is highly unlikely that the government of Hong Kong will take any action against CS Engineering.</p>

Event(s) of the non-compliance	Reason(s) for the non-compliance	Remedial action(s) taken or to be taken	Legal consequence(s) and maximum penalty
<p>CS Engineering, as lessee, rented a parcel of land located in Tuen Mun, the New Territories (the “Subject Land 2”) for its use of storage and warehousing during the period from May 2012 to November 2013.</p> <p>Under the relevant block Government lease, the lessee shall not convert the Subject Land 2, which is expressed to be demised as garden ground, into use for building purpose, other than for the proper occupation as garden ground without previous licence of the government of Hong Kong.</p> <p>Further, the lessee shall not erect any building or structure on the Subject Land 2 without having obtained the approval from the government of Hong Kong. As there were building and structures erected on the Subject Land 2 for use as storage and warehouse by CS Engineering, and there was no relevant licence or approval by the government of Hong Kong permitting the same during the material time, there was a breach of the relevant block Government lease of the Subject Land 2.</p> <p>The relevant outline zoning plan states that Subject Land 2 was designated as residential zone and permitted for, inter alia, use as rural workshop and warehouse. There is a waiver letter from the government permitting the Subject Land 2 to be converted to building for dyeing, bleaching and laundry purpose. As such, there was also a breach of the outline zoning plan for the change of user to a warehouse and/or workshop.</p>	<p>The breach was not wilful and due to absence of timely and professional advice at the material time.</p>	<p>Immediately upon becoming aware of the breach, CS Engineering terminated the tenancy agreement and had moved out of the Subject Land 2.</p>	<p>On 8 October 2012, the Planning Department issued an enforcement notice (the “Enforcement Notice 2”) under Section 23 of the Town Planning Ordinance to the owner of the Subject Land 2 for the unauthorized change of the user for parking of container vehicles. The Enforcement Notice 2 had been discontinued on 26 August 2013.</p> <p>As advised by the Legal Counsel, as CS Engineering is no longer in possession as a tenant and/or in any other capacity since 1 August 2013, it is highly unlikely that the government of Hong Kong will take any action against CS Engineering since CS Engineering is no longer in possession, occupation or use of the Subject Land 2.</p>

Non-compliance with the then Companies Ordinance (former Chapter 32 of the Laws of Hong Kong)

Set out below are non-compliances by CS Engineering and CS Machinery with the Predecessor Companies Ordinance:

Relevant section(s) of the ordinance	Event(s) of the non-compliance	Reason(s) for the non-compliance	Remedial action(s) taken or to be taken	Legal consequence(s) and maximum penalty
Non-compliance with Section 122 of the Predecessor Companies Ordinance	CS Engineering had failed to lay its profit and loss accounts and balance sheets at its respective annual general meetings from 1998 to 2013. CS Machinery had failed to lay its profit and loss accounts and balance sheets at its respective annual general meetings from 2000 to 2013.	The omission was unintentional and due to oversight of the administrative staff member who was responsible for supervision on secretarial matters. At the material time, both CS Engineering and CS Machinery had relied on corporate secretarial services provided by an external services provider in this connection.	Our Group had sought legal advice on whether relief can be obtained from the Court. As advised by the Legal Counsel, based on the recent judgements of the Companies Court, the Court is unlikely to grant relief under Section 122 of the Predecessor Companies Ordinance because the Court is of the view that such relief has no practical purpose in the context of listing application.	Under the Twelfth Schedule of the Predecessor Companies Ordinance, the maximum penalty for non-compliance of Section 122 of the Predecessor Companies Ordinance is HK\$300,000 and imprisonment for 12 months.
Non-compliance with Section 111 of the Predecessor Companies Ordinance	CS Engineering had failed to convene annual general meetings from 1995 to 1997. CS Machinery had failed to convene annual general meeting in 2000 within the prescribed time limit.		As advised by the Legal Counsel, the non-compliance in relation to (i) the audited accounts of CS Engineering for the year ended 31 March 2011 and earlier audited accounts under Section 122 of the Predecessor Companies Ordinance and (ii) the audited accounts of CS Machinery for the year ended 31 March 2010 and earlier audited accounts under Section 122 of the Predecessor Companies Ordinance, can no longer be prosecuted as the time limit of 3 years to lay information or complaint relating to an offence under the Predecessor Companies Ordinance has already expired.	As for those non-compliance in relation to (i) the audited accounts of CS Engineering for the years ended 31 March 2012 and 2013; and (ii) the audited accounts of CS Machinery for the years ended 31 March 2011, 2012 and 2013, the Legal Counsel advised that prosecutions under Section 122 of the Predecessor Companies Ordinance is rare.
Non-compliance with Section 114 of the Predecessor Companies Ordinance	CS Machinery and CS Engineering failed to give notice to convene annual general meetings.			

BUSINESS

Relevant section(s) of the ordinance	Event(s) of the non-compliance	Reason(s) for the non-compliance	Remedial action(s) taken or to be taken	Legal consequence(s) and maximum penalty
				<p>As advised by the Legal Counsel, the non-compliance of Section 122 of the Predecessor Companies Ordinance is not a particular serious nature and even if there is a conviction, it is not likely that the Court would impose maximum sentence. As the non-compliance was not wilful, the Legal Counsel advised that the Court will not impose imprisonment.</p>
				<p>Under the Twelfth Schedule of the Predecessor Companies Ordinance, the maximum penalty for each non-compliance of Section 111 of the Predecessor Companies Ordinance is HK\$50,000.</p>
				<p>As advised by the Legal Counsel, the non-compliance in relation to (i) the failure of CS Engineering to convene annual general meetings from 1995 to 1997; and (ii) the failure of CS Machinery to convene annual general meetings in 2000 within the prescribed time limit can no longer be prosecuted as the time limit of 3 years to lay information or complaint relating to an offence under the Predecessor Companies Ordinance has already expired.</p>
				<p>As advised by the Legal Counsel, failure to give notice to convene annual general meeting will entitle members who are entitled to receive notice to invalidate the proceedings of the meeting.</p>

BUSINESS

Relevant section(s) of the ordinance	Event(s) of the non-compliance	Reason(s) for the non-compliance	Remedial action(s) taken or to be taken	Legal consequence(s) and maximum penalty
Non-compliance with Section 107(2)(e) of the Predecessor Companies Ordinance	CS Machinery has failed to include particulars of the total amount of the indebtedness of CS Machinery in respect of all mortgages and charges which are required to be registered with the Companies Registrar under the Predecessor Companies Ordinance in the annual returns for the financial years ended 31 March 2009, 2010, 2011, 2012, 2013 and 2014.	The omission was unintentional and due to oversight of the administrative staff member who was responsible for supervision on secretarial matters. At the material time, CS Engineering had relied on corporate secretarial services provided by an external service provider in this connection.	CS Machinery has filed the amended annual returns with the Companies Registry.	As advised by the Legal Counsel, it is unlikely the current shareholders of CS Engineering and CS Machinery will challenge the validity of the meetings as their prime concern is the smooth process of the intended listing application. The past shareholders are no longer related to CS Engineering and CS Machinery and they will probably have no interest in challenging the validity of past meeting. The Legal Counsel advised that it is unlikely that the validity of the general meeting would be challenged.
				Under the Twelfth Schedule of the Predecessor Companies Ordinance, the maximum fine for non-compliance of Section 107(2)(e) of the Predecessor Companies Ordinance is HK\$50,000 and the maximum daily fine is HK\$700.
				CS Machinery may be required to pay the fine to the Companies Registry upon filing of the annual return. As confirmed by our Directors, CS Machinery was not required to pay any fine when it filed the amended annual returns with the Companies Registry. As at the Latest Practicable Date, CS Machinery was not notified by the Companies Registry to pay any fine in this respect.

Non-compliance with Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)

Set out below are the non-compliance of CS Engineering with the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong):

Relevant section(s) of the ordinance	Event(s) of the non-compliance	Reason(s) for the non-compliance	Remedial action(s) taken or to be taken	Legal consequence(s) and maximum penalty
Non-compliance of Section 15(1A) of the Employees' Compensation Ordinance	Failure of CS Engineering to give notice to the Commissioner of Labour regarding the injury of one of our employees which happened on 7 April 2014 during his course of employment who had injured his right ring finger and were given 8 days' sick leave.	It was due to the inadvertent oversight by our management, who was unaware of the requirement given that the relevant injury was of a minor nature and CS Engineering had granted the sick leave to the injured employee as recommended by the medical practitioner and granted sickness allowance and reimbursed the medical expenses to the injured employee. The injured employee has also recovered and has been back to work.	CS Engineering will arrange to file relevant documents with the Commissioner of Labour if possible.	CS Engineering is liable to a maximum fine of HK\$50,000 for the offence.

Non-compliance with Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong)

Set out below are non-compliance by CS Engineering with the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong)

Relevant section(s) of the ordinance	Event(s) of the non-compliance	Reason(s) for the non-compliance	Remedial action(s) taken or to be taken	Legal consequence(s) and maximum penalty
Non-compliance with Section 52 (4) of the Inland Revenue Ordinance	Failure to submit the notice (Form 56E) regarding commencement of employment of certain employees which is required to be filed within 3 months after such commencement of employment until 31 July 2014.	The omission was not wilful and due to the inadvertent oversight of the administrative staff member who was responsible for employee records.	The relevant notice for all employees which commenced employment after April 2014 were duly filed within the prescribed time limit.	Under Section 52(4) and 52(5) of the Inland Revenue Ordinance, the maximum penalty for the failure to file Form 56E and 56F is HK\$10,000.
Non-compliance with Section 52(5) of the Inland Revenue Ordinance	Failure to submit the notice (Form 56F) regarding cessation of employment of certain employees which is required to be filed within 1 month before the expected date of departure of such employee until 31 July 2014.	The omission was not wilful and due to the inadvertent oversight of the administrative staff member who was responsible for employee records.	All prescribed forms were subsequently filed in July 2014.	

Relevant section(s) of the ordinance	Event(s) of the non-compliance	Reason(s) for the non-compliance	Remedial action(s) taken or to be taken	Legal consequence(s) and maximum penalty
Non-compliance with Section 51(1) of the Inland Revenue Ordinance	Failure to submit Form IR56M regarding the consultancy fee paid by CS Engineering for the year ended 31 March 2012 and 31 March 2013.	The omission was not wilful and due to the inadvertent oversight of the administrative staff member who was responsible for employee records.	The Form IR56M was subsequently filed.	Under Section 80 of the Inland Revenue Ordinance, the maximum fine for the failure to file Form IR56M is HK\$10,000 and a further fine of treble the amount of tax which has been undercharged in consequence of the failure to file Form IR56M.

BUSINESS

Indemnity given by the Controlling Shareholders

In relation to the aforesaid, our Controlling Shareholders have undertaken to indemnify our Group against all losses and liabilities arising from the above legal proceedings. Please refer to the paragraph “Other Information — Tax and other indemnities” in Appendix IV to this prospectus for details.

Internal control measures to prevent the recurrence of non-compliance incidents

In order to continuously improve our Group’s corporate governance and to prevent recurrence of the abovementioned non-compliances in the future, our Group, pursuant to the recommendations made by CT Partners Consultants Limited (“**CT Partners**”), an independent internal control adviser engaged by us as disclosed in the paragraph “Non-compliance — Review by CT Partners” in this section, has adopted or will adopt the following measures:

1. With regards to the non-compliance in relation to the Government leases, all lease agreements will be reviewed by our accounting and finance department, and we will seek legal advice from external legal advisers before entering into or varying the terms of any lease agreement. Our Director will be responsible for ensuring that all lease agreements entered into by us have complied with the relevant Hong Kong laws and regulations.
2. On 20 August 2014, our Directors attended training sessions conducted by our legal advisers as to Hong Kong law on the on-going obligations and duties of a director of a company whose shares are listed on the Stock Exchange.
3. With regards to the non-compliance in relation to Predecessor Companies Ordinance and Inland Revenue Ordinance, our company secretary, Mr. Woo Yuen Fai, is responsible for keeping the filing register up to date on a monthly basis to ensure ongoing compliance. Our company secretary will report to the audit committee in the future in the event of any non-compliance with the Predecessor Companies Ordinance and Inland Revenue Ordinance.
4. Prior to the Listing, we will establish a compliance manual which shall be observed by our Directors and employees. Each department shall be responsible for making all relevant employees aware of the compliance manual and for ensuring that they comply with its principles. Further, the compliance manual will lay down procedures that our staff have to follow in cases of employees’ injuries to ensure compliance with the Employees’ Compensation Ordinance.
5. We will engage independent internal control consultant to conduct an annual review for the year after Listing. The review will focus on the status of implementation of the recommended remedial actions in areas where deficiencies and weaknesses were identified, the effectiveness of our internal control measures implemented, and the standards and effectiveness of our corporate governance, operations and management to ensure our compliance with the Listing Rules and the applicable Hong Kong laws and regulations.

BUSINESS

6. We will establish an audit committee which will implement formal and transparent arrangements to apply financial reporting and internal control principles in accounting and financial matters to ensure compliance with the Listing Rules and all relevant laws and regulations, including timely preparation and laying of accounts. It will also periodically review our compliance status with the Hong Kong laws after the Listing.

Review by CT Partners

On 20 May 2014, we engaged CT Partners, an independent internal control adviser, to perform a detailed evaluation under the Committee of Sponsoring Organisations of the Treadway Commission's 2013 framework of the adequacy and effectiveness of our Group's internal control system including the areas of financial, operation, compliance and risk management.

CT Partners is a company rendering internal control review services, which has been previously engaged in internal control review projects for a number of companies listed on the Stock Exchange. Besides, CT Partner's engagement team includes members of the Hong Kong Institute of Certified Public Accountants, a Certified Internal Auditor, a member of the Society of Chinese Accountants & Auditors, a fellow member of the Associations of Chartered Certified Accountants, a member of the Association of International Accountants, a member of Canadian Certified General Accountants Association, and a member of the Taxation Institute of Hong Kong and a Certified Tax Adviser (HK).

In relation to the non-compliance incidents mentioned above, CT Partners has reviewed and provided recommendations to our internal control designs for preventing the recurrence of the above-mentioned non-compliance incidents. Key measures adopted and to be adopted by our Group pursuant to the recommendations of CT Partners are disclosed in the paragraph "Internal control measures to prevent the recurrence of non-compliance incidents" in this section.

CT Partners performed follow up review in this connection. Upon the review, our Group did not have significant deficiencies in our internal control system for preventing the recurrence of the abovementioned non-compliance incidents.

View of our Directors and the Sponsor

Our Directors consider that the abovementioned non-compliance incidents would not affect the suitability of our executive Directors under Rule 3.08 and 3.09 of the Listing Rules or the suitability of listing of our Company under Rule 8.04 of the Listing Rules having taken into account that (i) our Group has fully rectified all of the non-compliance incidents, if applicable; (ii) our Group has implemented (or will implement where applicable) the abovementioned measures to avoid recurrence of the non-compliance incidents; (iii) there were no recurring of similar non-compliance incidents since the implementation of such measures; and (iv) the non-compliance incidents were unintentional, did not involve any dishonesty or fraudulent act on the part of our executive Directors, and did not raise any question as to the integrity of our executive Directors. In view of the above, our Directors believe, and the Sponsor concurs that, the internal control measures are sufficient and could effectively ensure a proper internal control system of our Group and prevent the recurrence of non-compliance incident.

BUSINESS

The Sponsor, after considering the above and having reviewed the internal control measures and the findings of CT Partners, concurs with the view of our Directors that (a) the various internal control measures adopted by our Group are adequate and effective; and (b) the abovementioned non-compliance incidents would not affect the suitability of our Directors under Rule 3.08 and 3.09 of the Listing Rules and the suitability of listing of our Company under Rule 8.04 of the Listing Rules.

LITIGATION AND CLAIMS

Save as disclosed below, during the Track Record Period and as at the Latest Practicable Date, no member of our Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance is known to our Directors as pending or threatened against any member of our Group.

Set out below are the details of the outstanding litigation and claims involved by our Group as at the Latest Practicable Date which are considered by our Directors to have no material impact on our Group.

Nature of Claims	Date of the application/ notification	Plaintiff(s)/ Applicant(s)	Defendant(s)/ Respondent(s)	Amount/estimated quantum of damages claimed	Status
The applicant suffered personal injuries in an accident arising out of and in the course of employment with the respondents on 23 November 2012	15 November 2013	An injured employee	CS Engineering and another Independent Third Party	Judgement on liability has been entered by the applicant against the respondents with compensation to be assessed.	The claim was covered by an insurance policy from the insurer dated 11 May 2011.

BUSINESS

Nature of Claims	Date of the application/ notification	Plaintiff(s)/ Applicant(s)	Defendant(s)/ Respondent(s)	Amount/estimated quantum of damages claimed	Status
The applicant suffered personal injuries in an accident arising out of and in the course of employment with the respondents on 18 July 2011	13 March 2013 for the claim in relation to employees' compensation (the " First Claim "); 28 July 2014 for the claim in relation to common law personal injuries claim (the " Second Claim ")	An injured employee	CS Engineering and another independent third party	In respect of the First Claim, interlocutory judgement on liability has been entered for the applicant against the respondents with compensation to be assessed pursuant to a Consent Order on 21 August 2013. By a Notice of Acceptance of Sanctioned Payment dated 2 December 2013, the applicant has accepted a sum of HK\$75,000 in settlement of the whole of the applicant's claim. In respect of the Second Claim, by a letter from the legal advisers of the insurer dated 31 July 2014, the claim will be covered by the insurer and as such, no assessment on potential liability has been obtained.	The First Claim was covered by the insurance policy taken out by the main contractor as stated in the certificate of insurance from the insurer dated 27 March 2014. In respect of the Second Claim, by a letter from the legal advisers of the insurer dated 31 July 2014, the claim will be covered by the insurer.

Indemnity given by the Controlling Shareholders

In relation to the aforesaid, our Controlling Shareholders have undertaken to indemnify our Group against all losses and liabilities arising from the above legal proceedings. Please refer to the paragraph "Other Information — Tax and other indemnities" in Appendix IV to this prospectus for details.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS OF OUR COMPANY

Immediately following completion of the Share Offer, Golden Roc will control more than 30% of the issued share capital of our Company. For the purpose of the Listing Rules, Mr. Leung, Mr. Kwan and Golden Roc are our Controlling Shareholders. Golden Roc is an investment holding company owned as to 55% by Mr. Leung and 45% by Mr. Kwan, and as at the Latest Practicable Date, it has not commenced any substantive business activities. Each of Mr. Leung, Mr. Kwan and Golden Roc confirms that he or it does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with the business of our Group.

As at the Latest Practicable Date, Group Team Limited, an investment holding company incorporated in Hong Kong, was owned as to 50% by Mr. Leung and as to 50% by Mr. Kwan. Ms. Ho, the spouse of Mr. Kwan, wholly owned Able Joy Limited which is also an investment holding company incorporated in Hong Kong.

During the Track Record Period, other than Chi Fu, Mr. Leung and Mr. Kwan were interested in a number of companies (including sole proprietorship) which have been excluded from our Group but may compete (directly or indirectly) with our Group's business.

Name	Place of Incorporation/ Establishment	Date of Incorporation/ Establishment	Principal Business	Shareholding/ Owner	Status	Reasons for excluding from our Group
Chun Sing Transportation Engineering Company 震昇工程運輸公司	Hong Kong as a sole proprietorship	20 October 1988	Transportation	Mr. Leung (as owner)	Ceased business on 31 March 2014	Due to difference in principal business and the entity was no longer used as a vehicle for payment of remuneration to Mr. Leung by our Group subsequent to 31 March 2014.
Chun Sing Civil Engineering Company Limited 震昇土木工程有限公司	Hong Kong	8 January 1999	Civil engineering services	Owned as to 55% by Mr. Leung and 45% by Mr. Kwan	Became dormant on 19 August 2014	Due to difference in principal business and the company has discontinued its civil engineering services and no turnover was recorded during the Track Record Period.
Chun Sing Holding Limited 震昇集團有限公司	Hong Kong	8 January 1999	General trading	Owned as to 55% by Mr. Leung and 45% by Mr. Kwan	Became dormant on 19 August 2014	Due to difference in principal business and the company has discontinued its operations and no turnover was recorded during the Track Record Period.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Name	Place of Incorporation/ Establishment	Date of Incorporation/ Establishment	Principal Business	Shareholding/ Owner	Status	Reasons for excluding from our Group
Good Sing Engenharia Lda. 昇浩工程有限公司	Macau	23 April 2010	Decoration works, construction and civil engineering	Owned as to 50% by Mr. Leung and 50% by Mr. Kwan	Dissolved and liquidated by members' resolutions on 20 March 2014	The company was engaged in its principal business in 2010 and was incorporated solely for the purposes of providing services for a project located in Macau, which was geographically different from our operations. The project in Macau was completed in 2011 and no further construction projects was conducted in Macau. As we intend to focus our business in Hong Kong and our Group does not have any business in Macau, the company is dissolved and excluded from our Group.

As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, there was no material non-compliance committed by the companies and/or the sole proprietorship named above.

As advised by Mr. Leung and Mr. Kwan, due to (i) their desire to focus their efforts and resources on our Group; and (ii) the financial performance of Chi Fu was not up to their satisfaction, Chi Fu was also excluded from our Group.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors believe that our Group is capable of carrying on our Group's business independently from our Controlling Shareholders and their close associates after the Share Offer.

Management and administrative independence

The Board consists of 6 Directors, of whom 3 are executive Directors and the remaining 3 are independent non-executive Directors. Mr. Leung, an executive Director and chairman of the Board and Mr. Kwan, an executive Director and the chief executive officer of our Company, are also the directors of Golden Roc. Each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant meetings of the Board in respect of such transactions and shall not be counted in the quorum. In addition, our Company has a senior management team to make the business decisions independently. The 3 independent non-executive Directors will also bring independent judgement to the decision-making process of the Board. Senior management of our Group have undertaken supervisory responsibilities in the business of our Group. The responsibilities of the

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

senior management team of our Group include dealing with operational and financial matters, making general capital expenditure decisions and the daily implementation of the business strategy of our Group. This ensures the independence of the daily management and operations of our Group. Further details of our Directors and senior management are set out in the section “Directors and Senior Management”.

Financial independence

Our Company has an independent financial system and makes financial decisions according to our Group’s own business needs. As at the Latest Practicable Date, there were bank loans and finance leases in the amount of approximately HK\$24.9 million which were jointly guaranteed by Mr. Leung and Mr. Kwan. The above guarantee will be released before the Listing. During the Track Record Period, we had certain amounts due to or from Mr. Leung, Mr. Kwan and/or their respective close associates. For details, please refer to note 22 to the Accountants’ Report set out in Appendix I to this prospectus. As at the Latest Practicable Date, such amounts due to or from Mr. Leung, Mr. Kwan and/or his close associates were fully settled. Our Directors believe that our Group is capable of obtaining financing from independent third parties, if necessary, without reliance on our Controlling Shareholders after the Listing. Therefore, our Group will be financially independent from our Controlling Shareholders after the Listing.

Operational independence

Our Group has established its own organisational structure made of individual departments, each with specific areas of responsibilities. We have a clear business delineation with our Controlling Shareholders and save for the transportation services provided by Fortune Famous and HK Gold Gate (details of which are set out in the section “Connected Transactions”), as at the Latest Practicable Date, our Group did not share any operational resources, such as office premises, sales and marketing and general administration resources with our Controlling Shareholders and their respective close associates.

During the Track Record Period, we had certain transactions with our related parties which included, among others, payment and receipt of subcontracting, lease of machinery, purchase of machinery, sales of motor vehicle, recharge of office rent, rates and management fee and lease of Director’s quarter. The above transactions had been discontinued as at the Latest Practicable Date. For further details, please refer to the section “Financial Information — Related Party Transactions”.

Our Group has also established a set of internal control measures to facilitate the effective operations of its business. Our Group’s customers and suppliers (save as those disclosed in the sections “Connected Transactions” and “Financial Information — Related Party Transactions”) are all independent from our Controlling Shareholders. Our Group does not rely on our Controlling Shareholders or their respective close associates and have its independent access to customers and suppliers. Our Directors consider that our Group’s operations do not depend on our Controlling Shareholders because (i) there is no competing business between our Group and any of our Controlling Shareholders; and (ii) our Group will not be relying on any guarantee provided by any of our Controlling Shareholders in respect of bank borrowings nor have our Group given any guarantee for the benefit of any of our Controlling Shareholders upon Listing.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

On the basis of the matters disclosed in this section, our Directors believe that our Group is capable of carrying on its business independently of our Controlling Shareholders and their respective close associates.

RULE 8.10 OF THE LISTING RULES

The Controlling Shareholders, our Directors and their respective close associates do not have any interest in a business apart from our Group's business which competes and is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 8.10 of the Listing Rules.

NON-COMPETITION UNDERTAKINGS

In order to avoid any possible future competition between our Group and the Controlling Shareholders, each of Mr. Leung, Mr. Kwan and Golden Roc (each a "**Covenantor**" and collectively the "**Covenantors**") has entered into a deed of non-competition (the "**Deed of Non-competition**") with our Company (for itself and for the benefit of each other member of our Group) on 8 December 2014. Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to our Company (for itself and as trustee for its subsidiaries) that, during the period that the Deed of Non-competition remains effective, that he/it shall not, and shall procure his or its close associates (other than any members of our Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of our Group.

Each of the Covenantors further undertakes that if he/it or his/its close associates other than any member of our Group is offered or becomes aware of any business opportunity which may compete with the business of our Group, he/it shall (and he/it shall procure his/its close associates to) notify our Group in writing and our Group shall have a right of first refusal to take up such business opportunity. Our Group shall, within 6 months after receipt of the written notice (or such longer period if our Group is required to complete any approval procedures as set out under the Listing Rules from time to time), notify the Covenantor(s) whether our Group will exercise the right of first refusal or not.

Our Group shall only exercise the right of first refusal upon the approval of all our independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of our independent non-executive Directors for considering whether or not to exercise the right of first refusal.

The undertakings contained in the Deed of Non-competition are conditional upon the Listing Committee granting approval for the listing of and permission to deal in the Shares on the Stock Exchange and all conditions precedent under the Underwriting Agreements having been fulfilled (or where applicable, waived) and the Underwriting Agreements not having been terminated in accordance

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

with its terms. If any such condition is not fulfilled on or before the date falling 30 days after the date of this prospectus (or if such date is not a Business Day, the immediate preceding Business Day), the Deed of Non-competition shall lapse and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed of Non-competition.

The Deed of Non-competition shall terminate on (i) in relation to any Covenantor, the date on which he/it together with his/its close associates, whether individually or taken together, ceases to be interested in 30% (or such other amount as may from time to time be specified in the Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the entire issued share capital of our Company; or (ii) the date on which the Shares shall cease to be listed and traded on the Stock Exchange (except for temporary trading halt or suspension of trading of the Shares on the Stock Exchange due to any reason).

CORPORATE GOVERNANCE MEASURES

Each of the Controlling Shareholders has confirmed that he/it fully comprehends his/its obligations to act in the best interests of our Company and its Shareholders as a whole. To avoid potential conflicts of interest, our Group will implement the following measures:

- (i) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors (or their associates), the interested Directors shall abstain from voting at the relevant Board meeting and shall not be counted in the quorum;
- (ii) the Covenantors will make an annual confirmation as to compliance with his/its undertaking under the Deed of Non-competition for inclusion in the annual report of our Company;
- (iii) the Board is committed to the view that the Board should include a balanced composition of executive and independent non-executive Directors so that there is a strong independent element on the Board which can effectively exercise independent judgement. Our Company has appointed 3 independent non-executive Directors. Our Directors believe that our independent non-executive Directors are of sufficient caliber, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide impartial and professional advice to protect the interests of the minority Shareholders. Details of our independent non-executive Directors are set out in the section “Directors and Senior Management”;
- (iv) our Company has appointed Messis Capital as the compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors’ duties and internal controls. Please refer to the section “Directors and Senior Management — Compliance Adviser” for details in relation to the appointment of compliance adviser;

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (v) the Controlling Shareholders undertake to provide all information requested by our Group which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition; and

- (vi) our independent non-executive Directors will, based on the information available to them, review on an annual basis (i) the compliance with the Deed of Non-competition; and (ii) all the decisions taken in relation to whether to pursue the new opportunity under the Deed of Non-competition. Findings of such review will be disclosed in our annual report after the Listing.

CONNECTED TRANSACTIONS

OVERVIEW

We have entered into lease agreements with related parties in relation to the lease of vehicles for our operations, the terms of which will continue to run after the Listing. The transactions constitute an exempt continuing connected transactions for our Company under the Listing Rules. Further information is set out in the paragraph “Exempt Continuing Connected Transactions” in this section.

We entered into certain related party transactions during the Track Record Period which had been discontinued prior to the Latest Practicable Date. Further information of the material related party transactions as mentioned above is set out in the section “Financial Information — Related Party Transactions”.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Lease agreement with Fortune Famous

On 26 August 2014 and 16 September 2014, CS Engineering entered into two lease agreements and a supplemental deed (collectively, the “FF Lease Agreements”) with Fortune Famous in relation to the lease of vehicles for our operation.

Fortune Famous is a company incorporated with limited liability in Hong Kong on 18 February 2005 and owned as to 50% by Mr. Kwan and 50% by Mr. Leung. As at the Latest Practicable Date, Fortune Famous was principally engaged in providing transportation services.

The fees paid by CS Engineering to Fortune Famous for the lease of vehicles amounted to HK\$288,000, HK\$308,000 and HK\$288,000 for the three years ended 31 March 2012, 2013 and 2014, respectively. Pursuant to the FF Lease Agreements, Fortune Famous agreed to lease the vehicles to us for a term of 7 months commencing on 1 September 2014 and up to 31 March 2015 at a monthly fee of HK\$43,600 payable within the first 7 days of each calendar month, which was agreed at after arm’s length negotiations between the parties with regard to the prevailing market rate. The total annual fees payable by us under the FF Lease Agreements shall be HK\$305,200.

Mr. Kwan and Mr. Leung are both executive Directors and Controlling Shareholders of our Company. As such, Fortune Famous is our connected person and the FF Lease Agreements, which will continue after the Listing, will constitute a continuing connected transaction for our Company under Chapter 14A of the Listing Rules.

The FF Lease Agreements were entered into on normal commercial terms where each of the relevant percentage ratios (other than the profits ratio) calculated for the purpose of Chapter 14A of the Listing Rules is less than 5% and the total fees payable under the FF Lease Agreements are less than HK\$3,000,000. Pursuant to Chapter 14A of the Listing Rules, the FF Lease Agreements are exempted from the reporting, annual review, announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

Lease agreement with HK Gold Gate

On 26 August 2014 and 16 September 2014, CS Engineering entered into two lease agreements and a supplemental deed (collectively, the “HKGG Lease Agreements”) with HK Gold Gate in relation to the lease of vehicles for our operation.

HK Gold Gate is a company incorporated with limited liability in Hong Kong on 7 May 2007 and owned as to 50% by Mr. Kwan and 50% by Mr. Leung. As at the Latest Practicable Date, HK Gold Gate was principally engaged in providing transportation services.

For the two years ended 31 March 2012 and 2013, our Group did not lease any vehicles from HK Gold Gate. For the year ended 31 March 2014, HK\$300,000 was paid by CS Engineering to HK Gold Gate for the lease of vehicles. Pursuant to the HKGG Lease Agreements, HK Gold Gate agreed to lease the vehicles to us for a term of 7 months commencing on 1 September 2014 and up to 31 March 2015 for a monthly fee of HK\$37,500 payable within the first 7 days of each calendar month, which was agreed at after arm’s length negotiations between the parties with regard to the prevailing market rate. The total annual transportation fee payable by us under the HKGG Lease Agreements shall be HK\$262,500.

Mr. Kwan and Mr. Leung and are both executive Directors and Controlling Shareholders of our Company. As such, HK Gold Gate is our connected person and the HKGG Lease Agreements, which will continue after the Listing, will constitute a continuing connected transaction for our Company under Chapter 14A of the Listing Rules.

The HKGG Lease Agreements were entered into on normal commercial terms where each of the relevant percentage ratios (other than the profits ratio) calculated for the purpose of Chapter 14A of the Listing Rules is less than 5% and total fees payable under the HKGG Lease Agreements are less than HK\$3,000,000. Pursuant to Chapter 14A of the Listing Rules, the HKGG Lease Agreements are exempted from the reporting, annual review, announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Confirmation from our Directors

Our Directors (including our independent non-executive Directors) are of the view that the continuing connected transactions described above have been and shall be entered into on normal commercial terms that are fair and reasonable and in the interest of our Shareholders as a whole and in the ordinary and usual course of business of our Company and will be so in the future, and the transaction and proposed annual caps set out above are fair and reasonable and in the interests of our Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

The Board currently consists of 6 Directors, comprising 3 executive Directors and 3 independent non-executive Directors. The following table sets out the information regarding the members of the Board:

Name	Age	Date of appointment as Director	Date of joining our Group	Present position(s) in our Company	Principal responsibilities
LEUNG Kam Chuen (梁錦泉)	67	15 July 2014	27 July 1993	Executive Director and Chairman	Overall management and overseeing and monitoring of projects of our Group; Chairperson of the nomination committee
KWAN Wai Ming (關偉明)	56	15 July 2014	1 April 2001	Executive Director and Chief Executive Officer	Overall management and business development of our Group; Member of the remuneration committee
LO Ka Lung (盧家龍)	63	20 August 2014	20 August 2014	Executive Director	Overall management and business development of our Group
CHEUNG, Kwok Yan Wilfred (張國仁)	35	8 December 2014	8 December 2014	Independent non-executive Director	Overseeing the strategic development of our Group; Chairperson of the audit committee and member of the nomination committee
Prof. LAM Sing Kwong Simon (林誠光)	55	8 December 2014	8 December 2014	Independent non-executive Director	Overseeing the strategic development of our Group; Chairperson of the remuneration committee, member of the audit committee and the nomination committee
Wong Fong (王芳)	36	8 December 2014	8 December 2014	Independent non-executive Director	Overseeing the strategic development of our Group; Member of the audit committee and the remuneration committee

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors and current position in our Group companies

LEUNG Kam Chuen (梁錦泉), aged 67, is our executive Director, the chairman of the Board and the chairperson of our nomination committee. Mr. Leung is primarily responsible for overall management and overseeing and monitoring of projects of our Group. He has over 20 years of experience in the construction industry. Mr. Leung was the founder of CS Engineering, which focusing on transportation services. Mr. Leung was also the founder of CS Machinery, primarily focusing on rental of machinery. Mr. Leung has been the director of CS Engineering and CS Machinery since July 1993 and December 1998 respectively. Mr. Leung attended secondary school education in Hong Kong.

Save as disclosed above, Mr. Leung did not hold any directorship in other listed companies in the past three years and does not hold any other position in our Company or any of our subsidiaries.

KWAN Wai Ming (關偉明), aged 56, is our executive Director and the chief executive officer of our Company and a member of our remuneration committee. Mr. Kwan is primarily responsible for overall management and business development of our Group. Mr. Kwan has over 30 years of experience in the construction industry. He joined CS Engineering in April 2001 and worked as the general manager. Mr. Kwan was appointed as director of CS Machinery in February 2002 and director of CS Engineering in December 2006. Prior to joining CS Engineering, Mr. Kwan worked as quantity surveyor in Henderson Real Estate Agency Limited from April 1984 to September 1988. He worked as project coordinator in Anwell Building Construction Company Limited from September 1988 to January 1998 and his last position was the chief quantity surveyor. He worked as an estimating manager in Chevalier International Holdings Limited, a listed company in Hong Kong (stock code: 25), from September 1998 to April 2001 and his last position was estimating & subletting manager. Mr. Kwan obtained certificate in civil engineering in November 1980, higher certificate in civil engineering in November 1983 and certificate in building law in November 1984, all awarded by Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic).

Save as disclosed above, Mr. Kwan did not hold any directorship in other listed companies in the past three years and does not hold any other position in our Company or any of our subsidiaries.

LO Ka Lung (盧家龍) (“Mr. Lo”), aged 63, was appointed as our executive Director on 20 August 2014. He is primarily responsible for overall management and business development of our Group. Mr. Lo obtained a degree of master of science in civil engineering at the City University of London, United Kingdom, in March 1978. He is currently a registered professional engineer under Engineers Registration Board of Hong Kong, a fellow member of the Hong Kong Institution of Engineers, a member of the Institution of Structural Engineers and a member of the Institution of Civil Engineers. Prior to joining our Company, Mr. Lo was employed as a trainee structural engineer in The Rom River Company Limited in London from September 1973 to April 1975. Mr. Lo joined Freeman Fox & Partners in London as a member of design and development team from May 1975 to September 1976 and worked in Ove Arup & Partners in London as an assistant to project engineer from August 1977 to September 1978. From November 1978 to January 1980, Mr. Lo employed by Hopewell Construction Company Limited as a site engineer and his last position was assistant to project manager. Mr. Lo then joined the Buildings Department as a structural engineer from June 1980 to

DIRECTORS AND SENIOR MANAGEMENT

August 1989 and as a senior structural engineer from September 1989 to July 1998 and as the chief structural engineer from August 1998 to June 2004. Mr. Lo currently provides lectures in the University of Hong Kong as an adjunct professor in the Department of Civil Engineering. From April 2007 to July 2014, Mr. Lo was a consultant to the design team of Chi Fu.

Save as disclosed above, Mr. Lo did not hold any directorship in other listed companies in the past three years and does not hold any other position in our Company or any of our subsidiaries.

Independent non-executive Directors

CHEUNG Kwok Yan Wilfred (張國仁) (“Mr. Cheung”), aged 35, was appointed as our independent non-executive Director, and the chairperson of our audit committee and a member of our nomination committees on 8 December 2014. Mr. Cheung graduated at the University of Buckingham in the United Kingdom with bachelor of science in accounting and financial management in February 2005. Mr. Cheung is a fellow of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Directors. Mr. Cheung joined Moores Rowland Mazars CPA Limited in September 2005 as associate and later transferred his employment under Mazars CPA Limited after the reorganization of Moores Rowland Mazars in June 2007. Mr. Cheung left Mazars CPA Limited in October 2007 and joined Grant Thornton as senior accountant in its China practice division until December 2008. Mr. Cheung then moved to the United Kingdom and worked for the Royal Bank of Canada Europe Limited as accounts preparer in its CEES UK Department from March 2009 to January 2010. Mr. Cheung then returned to Hong Kong and was employed by Harmonic Strait Financial Holdings Limited (formerly known as “Rainbow Brothers Holdings Limited”) (Stock code: 33), the issued shares of which is listed on the Main Board of the Stock Exchange, from February 2010 to August 2010 as senior associate in corporate finance. Mr. Cheung later joined Mega International Food Limited as its financial controller in September 2010 and was appointed as general manager of its fellow subsidiary, Poly Shining Limited, Mr. Cheung left the group in March 2013. From August 2013 onwards, Mr. Cheung sits at the head of finance and is the senior finance manager of The Gate Worldwide Limited, an international advertising agency.

Save as disclosed above, Mr. Cheung did not hold any directorship in other listed companies in the past three years and does not hold any other position in our Company or any of our subsidiaries.

LAM Sing Kwong Simon (林誠光) (“Prof. Lam”), aged 55, was appointed as our independent non-executive Director, the chairperson of our remuneration committee, a member of our audit and nomination committees on 8 December 2014. Prof. Lam joined the University of Hong Kong as full-time teaching staff in September 1989 and is currently professor of management at the Faculty of Business and Economics of the University of Hong Kong. Prof. Lam obtained a doctorate degree in commerce from the Faculty of Economics and Commerce at the Australian National University. Prof. Lam is renowned for his research in corporate strategy, organisation development and operations management and has published a number of academic papers and case studies on those topics. Before joining the University of Hong Kong, Prof. Lam served as regional support manager for the Canadian Imperial Bank of Commerce from 1987 to June 1989.

DIRECTORS AND SENIOR MANAGEMENT

Prof. Lam is currently an independent non-executive director of Jin Cai Holdings Company Limited (stock code: 1250), Sinomax Group Limited (stock code: 1418) and Overseas Chinese Town (Asia) Holdings Limited (stock code: 3366), the issued shares of all of which are listed on the Main Board of the Stock Exchange. He is also an independent non-executive director of Glory Flame Holdings Limited (stock code: 8059) and King Force Security Holdings Limited (stock code: 8315), the issued shares of which are listed on the Growth Enterprise Market of the Stock Exchange.

Prof. Lam was a director of AS & T Consultants Limited which was incorporated in Hong Kong and was dissolved by means of striking off on 8 March 2002 pursuant to Section 291(6) of the Predecessor Companies Ordinance. Prof. Lam confirmed that the said company was solvent and inactive at the time of it being struck off and that its dissolution has not resulted in any liability or obligation imposed against him.

Save as disclosed above, Prof. Lam did not hold any directorship in other listed companies in the past three years and does not hold any other position in our Company or any of our subsidiaries.

Wong Fong (王芳) (“Ms. Wong”), aged 36, was appointed as our independent non-executive Director, a member of our audit committee and our remuneration committee on 8 December 2014. Ms. Wong has been the director of Grant Thornton Hong Kong Limited since February 2014 and before that she was the chief operating officer of Jonten Hopkins CPA Limited from January 2010 to January 2014.

Ms Wong passed Licensing Examination for Securities and Futures Intermediaries and obtained HKSI practising certificate (securities) in January 2011. Ms Wong obtained a bachelor’s degree in Chinese language and literature from Harbin Normal University in June 2000.

Save as disclosed above, Ms. Wong did not hold any directorship in other listed companies in the past three years and does not hold any other position in our Company or any of our subsidiaries.

DISCIPLINARY ACTION REGARDING CHI FU

In September 2006, Chi Fu was appointed to carry out alteration and addition works for certain premises (the “**Project**”). Subsequently, the Buildings Department made enquiries regarding the submitted documents in March 2007. In March 2013, the Building Authority brought a charge to the notice of the Registered Contractors’ Disciplinary Board against Chi Fu and its then authorised signatory (the “**Former Authorised Signatory**”), an independent third party, under Section 13(1) of the Buildings Ordinance alleging that Chi Fu and the Former Authorised Signatory (i) were negligent or misconducted themselves in falsely certifying the form submitted to the Building Authority that the Project had been carried out in accordance with the provisions of the Buildings Ordinance and its regulations; and (ii) had failed to submit a certificate to ensure that the chemical composition of the stainless steel in the Project was up to the required standard (the “**Disciplinary Action**”). A hearing concerning the Disciplinary Action was held on 7 November 2014 and both Chi Fu and the Former Authorised Signatory were found guilty of the charge and ordered to be reprimanded. No fine was imposed but they were ordered to pay the cost of the Building Authority and Registered Contractors’ Disciplinary Board.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Kwan and Mr. Leung were appointed as directors of Chi Fu in March 2005 and September 2006 respectively. Mr. Leung resigned as a director of Chi Fu in September 2008 and was appointed as a director again in May 2009. As confirmed by Mr. Kwan and Mr. Leung, they acted as directors of Chi Fu with an aim to explore business opportunities, expand their networks in the industry and protect their interests in Chi Fu as investors. In discharging their duties as directors of Chi Fu, Mr. Kwan and Mr. Leung attended directors' meetings of Chi Fu from time to time and provided supervision and advice on the business direction of Chi Fu. Mr. Kwan and Mr. Leung resigned as directors of Chi Fu when they disposed of all their interest in Chi Fu in July 2014. At all material time, the daily operations of Chi Fu have been primarily managed by another director of Chi Fu, who has also been the technical director of Chi Fu, as a registered general building contractor, under the Buildings Ordinance since December 2006 and a member of The Hong Kong Institution of Engineers and a chartered engineer of the Council of Engineering Institutions in the United Kingdom since 1979 with extensive experience in the industry (the "**Technical Director**"). Mr. Kwan and Mr. Leung are of the view that the Technical Director possesses the required expertise and experience in carrying out his daily management role in Chi Fu.

Chi Fu has implemented internal system and procedures for recording and monitoring its tendering for and payment under projects. As confirmed by Mr. Kwan, Mr. Leung and the Technical Director, upon reviewing the internal documents, Chi Fu has no record (including payment record) in respect of the Project. Mr. Kwan and Mr. Leung were not aware of the Project and the Disciplinary Action until their acquisition of the entire interest in Chi Fu when the relevant correspondences were received by Chi Fu and reported by the management of Chi Fu. Mr. Kwan, Mr. Leung and the Technical Director are of the view that (i) by abusing his duty and authority in Chi Fu, the Former Authorised Signatory deliberately concealed the Project from the management of Chi Fu for personal gain; and (ii) the dishonest act of the Former Authorised Signatory would be very difficult if not impossible for the directors of Chi Fu to detect, regardless of any reasonable internal control measures being implemented by Chi Fu, as such act was conducted by the Former Authorised Signatory beyond any documents accessible by the management of Chi Fu. After discovering the matters relating to the Project and the Disciplinary Action, the management of Chi Fu, including Mr. Kwan and Mr. Leung, revisited the internal control measures of Chi Fu and reinforced the enforcement procedures, including (i) the reporting procedures for the authorised signatory of Chi Fu to report to the management of Chi Fu; (ii) segregating duties of the authorised signatory of Chi Fu to other management of Chi Fu; and (iii) correspondence logbook system for Chi Fu, etc. to prevent the occurrence of similar situation.

After seeking legal advice, Chi Fu has confirmed that if the Building Authority finds Chi Fu guilty, the maximum potential liability that may impose on Chi Fu as a result of the Disciplinary Action is that Chi Fu be excluded from the general building contractors' register. As advised by the Legal Counsel, the maximum potential liability that may impose on the Former Authorised Signatory as a result of the Disciplinary Action will be a maximum fine of HK\$250,000.00. Further, he may be reprimanded and may be prohibited from certifying or carrying out any minor works commenced under the simplified requirements either permanently or for such period as the disciplinary board thinks fit. Further, the Former Authorised Signatory's name may be removed from any other company with

DIRECTORS AND SENIOR MANAGEMENT

respect to which he is registered under the Buildings Ordinance. Although the Building Authority has the power to lay charge and impose penalty against the directors of Chi Fu, such power is only applicable to the Technical Director as he is registered under the Buildings Ordinance but not to other directors of Chi Fu. Accordingly, Mr. Kwan and Mr. Leung would not be subject to any liability as former directors of Chi Fu under the Disciplinary Action.

Having considered that (i) Mr. Kwan and Mr. Leung had discharged of their duties as directors of Chi Fu during their tenures; and (ii) the advice from the legal advisers of Chi Fu and the Legal Counsel that the Disciplinary Action was against the Former Authorised Signatory and Chi Fu but not the directors of Chi Fu, our Directors are of the view, and the Sponsor concurs, that the matters related to Chi Fu should not affect the suitability of Mr. Kwan and Mr. Leung to act as Directors under Rule 3.08 and 3.09 of the Listing Rules.

SENIOR MANAGEMENT

The following table sets out the information regarding the senior management team of our Group:

Name	Age	Date of joining our Group	Position	Principal responsibilities
HAU Kwok Leung (侯國良)	47	17 September 2012	Project manager	Responsible for overall management of site works, quality control and work safety supervision
WONG Kwok Leung (黃國樑)	37	15 February 2013	Project manager	Responsible for overall management of site works, quality control and work safety supervision
Woo Yuen Fai (胡遠輝)	31	14 August 2014	Financial controller and company secretary	Financial planning, financial risks management, financial reporting, treasury and company secretarial work

DIRECTORS AND SENIOR MANAGEMENT

HAU Kwok Leung (侯國良) (“Mr. Hau”), aged 47, is the project manager of our Group. Mr. Hau is principally responsible for overall management of site works, quality control and work safety supervision. Mr. Hau joined our Group as project manager in September 2012 and has over 20 years of experience in the construction industry. Mr. Hau obtained a higher diploma in building from the City Polytechnic of Hong Kong in November 1990 and obtained a bachelor’s degree in construction management from the University of Wolverhampton in September 2002.

Mr. Hau did not hold any directorship in any public listed company in the past three years.

WONG Kwok Leung (黃國樑) (“Mr. Wong”), aged 37, is the project manager of our Group. Mr. Wong is principally responsible for overall management of site works, quality control and work safety supervision. Mr. Wong joined our Group in February 2013 and has over 10 years of experience in the construction industry. Mr. Wong obtained a bachelor of engineering degree in civil and structural engineering from the University of Hong Kong in December 1999. Mr. Wong was certified as a chartered civil engineer and chartered engineer of the Institution of Civil Engineers in March 2006 and May 2006 respectively. Mr. Wong is also a registered professional engineer under the Engineers Registration Board of Hong Kong.

Mr. Wong did not hold any directorship in any public listed company in the past three years.

Woo Yuen Fai (胡遠輝) (“Mr. Woo”), aged 31, was employed as the financial controller of our Company in August 2014 and was appointed as our company secretary in 8 December 2014. Mr. Woo is primarily responsible for financial planning, financial risks management, financial reporting, treasury and company secretarial work of our Group. Prior to joining our Group, Mr. Woo worked in the assurance and business advisory department of SHINEWING (HK) CPA Limited, a certified public accounting firm, from September 2006 to August 2014. Mr. Woo obtained his bachelor’s degree of business administration (honors) in accountancy and law from the City University of Hong Kong in November 2006 and is a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Woo did not hold any directorship in any public listed company in the past three years.

COMPANY SECRETARY

Mr. Woo is the company secretary of our Company. Details of his qualifications and experience are set out in the paragraph “Senior Management” in this section.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our executive Director, our independent non-executive Directors and senior management receive compensation in the form of director fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and the performance of our Group. Our Group also reimburses our Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their

DIRECTORS AND SENIOR MANAGEMENT

functions in relation to the operations of our Group. Our Group regularly reviews and determines the remuneration and compensation packages of our Directors and senior management by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of our Directors and the performance of our Group.

During the three financial years ended 31 March 2012, 2013 and 2014, the remuneration payable by our Company to our Directors is approximately HK\$1.8 million, HK2.0 million and HK2.3 million, respectively. During the three financial years ended 31 March 2012, 2013 and 2014, the aggregate remuneration (including salaries, benefits in kind and/or discretionary bonus) paid to our five highest paid individuals, including the two directors stated above, was approximately HK\$3.5 million, HK\$3.9 million and HK\$5.1 million, respectively.

After Listing, the remuneration committee of our Company will review and determine the remuneration and compensation packages of our Directors with reference to their responsibilities, workload, the time devoted to our Group and the performance of our Group. Our Directors may also receive options to be granted under the Share Option Scheme.

BOARD COMMITTEES

Audit committee

Our Company established an audit committee on 8 December 2014 with its written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board on matters related to corporate governance.

The audit committee of our Company consists of three members, being Ms. Wong, Mr. Cheung, and Prof. Lam. Mr. Cheung currently serves as the chairperson of the audit committee.

Remuneration committee

Our Company established a remuneration committee on 8 December 2014 with its written terms of reference in compliance with the Listing Rules. The primary duties of the remuneration committee are to make recommendations on the remuneration of our Company's senior management and to recommend members of the Board.

The remuneration committee of our Company consists of three members, being Prof. Lam, Ms. Wong and Mr. Kwan. Prof. Lam currently serves as the chairperson of the remuneration committee.

DIRECTORS AND SENIOR MANAGEMENT

Nomination committee

Our Company established a nomination committee on 8 December 2014 with its written terms of reference by reference to the code provisions of the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board and/or in senior management.

The nomination committee of our Company consists of three members, being Mr. Leung, Mr. Cheung and Prof. Lam. Mr. Leung currently serves as the chairperson of the nomination committee.

COMPLIANCE ADVISER

In accordance with Rule 3A.19 of the Listing Rules, our Company has appointed Messis Capital as its compliance adviser. Pursuant to Rule 3A.23 of the Listing Rules, our Company will consult with and seek advice from the compliance adviser on a timely basis in the following circumstances:

- (1) before the publication of any regulatory announcement, circular or financial report;
- (2) where a transaction, which might be a notifiable or connected transaction, is contemplated including Share issues and Share repurchases;
- (3) where our Company proposes to use the proceeds of the initial public offering in a manner different from that detailed in the listing document or where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in the listing document; and
- (4) where the Stock Exchange makes an inquiry of the listed issuer under Rule 13.10 of the Listing Rules.

The term of appointment of the compliance adviser of our Company shall commence on the Listing Date and end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of the financial results for the second full financial year commencing after the Listing Date and such appointment shall be subject to extension by mutual agreement.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Share Offer (without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme), the following persons will have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Our Company

Name of Shareholder	Capacity/ Nature of interest	Number of Shares held/interested in	Percentage of shareholding immediately after completion of the Share Offer
Mr. Leung ^(Note 1)	Interest of a controlled corporation ^(Note 1)	772,500,000	75%
Mr. Kwan ^(Note 2)	Interest of a controlled corporation ^(Note 2)	772,500,000	75%
Golden Roc	Beneficial interest	772,500,000	75%
Ms. Ngai ^(Note 3)	Interest of spouse ^(Note 3)	772,500,000	75%
Ms. Ho ^(Note 4)	Interest of spouse ^(Note 4)	772,500,000	75%

Notes:

1. Mr. Leung beneficially owns 55% of the issued share capital of Golden Roc. Therefore, Mr. Leung is deemed, or taken to be, interested in all the Shares held by Golden Roc for the purpose of the SFO. Mr. Leung is a director of Golden Roc.
2. Mr. Kwan beneficially owns 45% of the issued share capital of Golden Roc. Therefore, Mr. Kwan is deemed, or taken to be, interested in all the Shares held by Golden Roc for the purpose of the SFO. Mr. Kwan is a director of Golden Roc.
3. Ms. Ngai is the spouse of Mr. Leung. Accordingly Ms. Ngai is deemed, or taken to be, interested in all the Shares in which Mr. Leung is interested for the purpose of the SFO.
4. Ms. Ho is the spouse of Mr. Kwan. Accordingly Ms. Ho is deemed, or taken to be, interested in all the Shares in which Mr. Kwan is interested for the purpose of the SFO.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Share Offer (without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme), have interests or short positions in the Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of its subsidiaries.

SHARE CAPITAL

SHARE CAPITAL

The share capital of our Company immediately following the Share Offer, without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme will be as follows:

<i>Authorised share capital:</i>		<i>HK\$</i>
<u>2,000,000,000</u>	Shares	<u>20,000,000</u>

<i>Issued and to be issued, fully paid or credited as fully paid:</i>		<i>HK\$</i>
901,250,000	Shares in issue	9,012,500
<u>128,750,000</u>	Shares to be issued pursuant to the Share Offer	<u>1,287,500</u>
<u>1,030,000,000</u>	Shares	<u>10,300,000</u>

MINIMUM PUBLIC FLOAT

At least 25% of the total issued share capital of our Company must at all times be held by the public. The 257,500,000 Offer Shares represent not less than 25% of the issued share capital of our Company upon Listing.

RANKING

The Offer Shares will rank *pari passu* in all respects with all our Shares now in issue or to be issued as mentioned in this prospectus, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of Listing.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the section “Structure and Conditions of the Share Offer — Conditions of the Public Offer”, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of our Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

- (a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer (excluding our Shares to be issued upon exercise of any option which may be granted under the Share Option Scheme); and
- (b) the aggregate nominal value of the share capital of our Company repurchased pursuant to the authority granted to our Directors referred to in the paragraph “General Mandate to Repurchase Shares” in this section.

SHARE CAPITAL

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of any option which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company; or
- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For details of this general mandate, please refer to the section “Further Information About Our Company — Written Resolutions of our Sole Shareholder Passed on 8 December 2014” in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the conditions as stated in the section “Structure and Conditions of the Share Offer — Conditions of the Public Offer”, our Directors have been granted a general unconditional mandate to exercise all powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange which is recognised by the SFC and the Stock Exchange for this purpose) with an aggregate nominal value of not more than 10% of the aggregate nominal value of our Company’s share capital in issue immediately following completion of the Share Offer (excluding our Shares to be issued upon exercise of any option which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section “Further Information About Our Company — Repurchase of our Shares by our Company” in Appendix IV to this prospectus.

The general mandate to repurchase Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company; or
- (b) the expiration of the period within which the next annual general meeting is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

SHARE CAPITAL

For details of this general mandate, please refer to the sections “Further Information About Our Company — Written Resolutions of our Sole Shareholder Passed on 8 December 2014” and “Further Information About Our Company — Repurchase of our Shares by our Company” in Appendix IV to this prospectus.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarised in the section “Share Option Scheme” in Appendix IV to this prospectus.

Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into our Shares as at the Latest Practicable Date.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, we will hold general meetings as prescribed for under our Articles, a summary of which is set out in Appendix III to this prospectus.

FINANCIAL INFORMATION

The following discussion of our Group's financial condition and results of operations should be read in conjunction with our Group's combined financial information as of and for the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014, including the notes thereto, included in Appendix I to this prospectus. The financial statements have been prepared in accordance with HKFRSs. The following discussion contains certain forward-looking statements that involve risks and uncertainties. Our Group's future results could differ materially from those discussed below as a result of various factors, including those set forth under the section "Risk Factors" and elsewhere in this prospectus.

OVERVIEW

We are principally engaged in the foundation and substructure construction business in Hong Kong. The foundation and substructure services provided by us mainly include ELS works, pile caps construction and substructure construction for residential, commercial and infrastructure projects.

We undertake projects of considerably different scales depending on our customer requests. Our services are inter-related to one another and our projects may include one or more types of services depending on the customer's needs and requirements for their construction project.

Our Group's revenue is principally derived from fees for the provision of our foundation and substructure construction services on a project-by-project basis and is denominated in HK dollars. In accordance with IPSOS Report, the turnover of foundation and substructure construction industry in Hong Kong is expected to increase at a CAGR of about 19.6% from approximately HK\$2.3 billion in 2014 to approximately HK\$4.7 billion in 2018. Our Directors are of the view that the demand for foundation and substructure construction services in Hong Kong will continue to grow. During the Track Record Period, our customers for construction projects primarily include main contractors of various types of development projects in Hong Kong. For the two years ended 31 March 2012 and 2013, our revenue increased by approximately 126.4% from approximately HK\$199.8 million to approximately HK\$452.3 million. Our revenue further increased by approximately 28.6% to approximately HK\$581.4 million for the year ended 31 March 2014. For the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014, our revenue generated from main contractors accounted for approximately 88.0%, 99.2%, 98.3% and 97.8% of our total revenue respectively and the remaining customers mainly includes subcontractors and land owners.

For the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014, our total revenue attributable to our largest customer amounted to approximately 71.4%, 77.7%, 28.0% and 40.2% respectively, while our total revenue attributable to our five largest customers amounted to approximately 95.0%, 97.5%, 96.0% and 100.0% respectively.

In addition, we also earned rental income from leasing our machinery. Rental income from lease of machinery amounted to approximately HK\$4.2 million, HK\$2.4 million, HK\$3.0 million and HK\$46,000 for the years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014 respectively.

FINANCIAL INFORMATION

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 15 July 2014 and became the holding company of our Group pursuant to the Reorganisation completed on 5 December 2014. Our Group's businesses were conducted principally through CS Engineering and CS Machinery. CS Engineering and CS Machinery were owned as to 55% by Mr. Leung and 45% by Mr. Kwan before the Reorganisation. As detailed in the section "Company History and Reorganisation", our Group underwent the Reorganisation to rationalise its corporate structure in preparation for the listing of our Company's shares on the Stock Exchange.

Following the Reorganisation, our Company was owned by Mr. Leung and Mr. Kwan as to 55% and 45% respectively. As our Group's businesses were beneficially owned by Mr. Leung and Mr. Kwan in the same proportionate ownership interests before and after the Reorganisation, there was a continuation of risks and benefits to the ultimate beneficial owners. Accordingly, the Reorganisation has been accounted for as a combination of entities using the merger basis of accounting. The Financial Information has been prepared as if our Group had always been in existence and the assets and liabilities of CS Machinery and CS Engineering are combined using the historical book values from the perspective of Mr. Leung and Mr. Kwan.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our financial conditions and results of operations have been and will continue to be affected by a number of factors, including those set out below and in the section "Risk Factors".

Demand for foundation and substructure construction services in Hong Kong

Our results of operations are mainly affected by the number and availability of construction projects in Hong Kong, which in turn are affected by various factors, including but not limited to the general economic conditions in Hong Kong, changes in the conditions relating to the Hong Kong construction industry, and the amount of investment in the construction of new infrastructure and improvement of existing infrastructure. The changes may increase or decrease the demand for our foundation and substructure construction services.

There is no assurance that the number of construction projects will not decrease in the future. In the event that the demand of foundation and substructure construction services decreases as a result of the reduction in the number of construction projects in Hong Kong, our businesses in general and our results of operations may be adversely and materially affected.

Collectability and timing of collection of our trade debtors and retention receivables

We will submit a payment application to our customers and once our customer is satisfied with our payment application, a payment certificate will be issued to us. Our customer will usually retain up to 10% of each interim payment and up to a maximum limit of 5% of the total contract sum as retention money for the project. There can be no assurance that such retention money will be released to us on a timely basis.

FINANCIAL INFORMATION

As at 30 June 2014, our trade debtors and retention receivables are approximately HK\$59.3 million and HK\$61.6 million, respectively. Any failure by our customers to make payments to us on time and in full may have an adverse impact on our liquidity and financial position.

Pricing of our foundation and substructure construction services

The foundation and substructure construction projects undertaken by us are generally awarded by our customers after they accept our quotations or tender. Our pricing is determined on a project-by-project basis. Factors that we take into account in determining our fees generally include: (i) the nature, scope and complexity of the project; (ii) the estimated number and type of workers required; (iii) the estimated number and type of machinery required; (iv) the completion time requested by the customers; (v) any further subcontracting required; and (vi) the prevailing market conditions. Failure to balance the various factors in determining quotation price will adversely affect our financial performance and results of operations. In addition, our estimate of the time and costs involved in a construction project in determining our fee is based on our experience and factors that we believe to be relevant and reasonable and there is no assurance that the actual amount of time and costs would not exceed our estimation.

Supply and cost of labour

Our foundation and substructure construction projects depend on the use of labour. Our staff costs accounted for approximately 12.3%, 11.2%, 14.3% and 15.9% of the total direct costs for each of the years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014, respectively. The supply and cost of labour in Hong Kong are affected by the availability of labours in the market as well as economic factors in Hong Kong including the inflation rate and standard of living. There is no assurance that the supply of labour and average labour costs will be stable and that our Group will be able to identify and recruit staff members in replacement in a timely manner, which could have an adverse effect on our Group's operation. In addition, the Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) requires that an employee is entitled to be paid wages in respect of any wage period of not less than the minimum wage, which shall be derived by reference to the prescribed minimum hourly wage rate (currently set at HK\$30 per hour). There is no assurance that the statutory minimum wage will not increase in the future. In view of the potential increase in labour cost, if our Group is not able to apply effective strategy to control labour cost, our Group's competitiveness and profitability could be adversely affected.

Investment and the addition of machinery

Our construction projects require the use of machinery. To attain to our customer requirements, we need to invest in suitable machinery to cope with the latest development and maintain our competitiveness.

One of our future plans is to acquire additional machinery by utilising a portion of the net proceeds from the Share Offer so as to enhance our capacity to cope with the expected business growth and facilitate more customer requirements. Such machinery includes but not limited to excavators and hydraulic rock breakers. As a result of the acquisition of additional machinery, it is expected that additional depreciation will be charged to our profit or loss account and may therefore affect our financial performance and operating results.

FINANCIAL INFORMATION

In addition, there is no assurance that our machinery will not be malfunctioned, damaged or lost as a result of, among others, improper operation, accidents, fire, adverse weather conditions, theft or robbery. If the damaged or lost machinery cannot be repaired and/or replaced in a timely manner or any write-off of machinery is required, our operations and financial performance could be adversely affected.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our Group's financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes Hong Kong Accounting Standards and related interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The significant accounting policies adopted by our Group are set forth in details in the Accountants' Report set out in Appendix I to this prospectus. Some of the accounting policies involve judgements, estimates, and assumptions made by our management, all of which are subject to inherent uncertainties. The estimates and the associated assumptions are based on historical data and our experience and factors that we believe to be relevant and reasonable under the circumstances. The following paragraphs summarise the critical accounting policies and estimates applied in the preparation of our Group's combined financial statements.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to our Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) *Contract revenue*

When the outcome of a construction contract can be estimated reliably:

- revenue from a fixed price contract work is recognised based on the stage of completion of the contracts, provided that the stage of contract completion and the gross billing value of contracting work can be measured reliably. The stage of completion of a contract is established according to the progress certificate (by reference to the amount of completed works confirmed by surveyor) issued by the customers; and
- revenue from a cost plus contract work is recognised by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customer or the outcome of which can be estimated reliably by management and are capable of being reliably measured.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

FINANCIAL INFORMATION

(ii) *Rental income from lease of machinery and investment properties*

Rental income receivable from lease of machinery and investment properties is recognised in profit or loss in equal instalments over the periods covered by the lease terms, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) *Interest income*

Interest income is recognised as it accrues using the effective interest method.

Other property, plant and equipment

Other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Furniture and fixtures	4 years
Leasehold improvements	Over the remaining lease term
Motor vehicles	4 years
Machinery	4 - 5 years

Leasehold land and buildings are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if our Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

FINANCIAL INFORMATION

(i) *Classification of assets leased to our Group*

Assets that are held by our Group under leases which transfer to our Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to our Group are classified as operating leases, except for property held under operating leases that would otherwise meet the definition of investment properties is classified as investment properties on a property-by-property basis and, if classified as investment properties, is accounted for as if held under a finance lease.

(ii) *Assets acquired under finance leases*

Where our Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely our Group will obtain ownership of the asset, the life of the asset. Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) *Operating lease charges*

Where our Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as investment properties.

Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the 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 costs are recognised as an expense in the period in which they are incurred.

FINANCIAL INFORMATION

Construction contracts in progress at the end of the reporting period are recorded at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the statements of financial position as the “Gross amounts due from customers for contract work” (as an asset) or the “Gross amounts due to customers for contract work” (as a liability), as applicable. Progress billings not yet paid by the customer are included under “Trade and other receivables”. Amounts received before the related work is performed are included under “Trade and other payables”.

Impairment of assets

(i) Impairment of trade and other receivables

Trade and other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of our Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, impairment loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset’s carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years/periods.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When our Group is satisfied that recovery is remote,

FINANCIAL INFORMATION

the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) *Impairment of other assets*

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that investment properties and other property, plant and equipment may be impaired or, an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years/periods. Reversals of impairment losses are credited to profit or loss in the year/period in which the reversals are recognised.

FINANCIAL INFORMATION

SUMMARY OF RESULTS OF OPERATIONS

The combined statements of profit or loss and comprehensive income during the Track Record Period are summarised below, which have been extracted from the Accountants' Report set out in Appendix I to this prospectus. As such, the following sections should be read in conjunction with the Accountants' Report set out in Appendix I to this prospectus.

	Year ended 31 March			Three months ended 30 June	
	2012	2013	2014	2013	2014
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	<i>(unaudited)</i>				
Turnover	199,756,305	452,266,783	581,431,405	108,843,251	196,620,219
Direct costs	<u>(188,923,526)</u>	<u>(384,023,117)</u>	<u>(497,048,030)</u>	<u>(90,823,032)</u>	<u>(167,226,324)</u>
Gross profit	10,832,779	68,243,666	84,383,375	18,020,219	29,393,895
Other revenue	146,277	402,348	521,117	114,000	123,900
Other net income	1,174,730	1,763,381	2,612,481	1,061,092	1,035,560
General and administrative expenses	<u>(12,100,762)</u>	<u>(15,112,677)</u>	<u>(17,960,783)</u>	<u>(3,584,557)</u>	<u>(8,070,015)</u>
Profit from operations	53,024	55,296,718	69,556,190	15,610,754	22,483,340
Finance costs	<u>(562,448)</u>	<u>(1,643,422)</u>	<u>(1,305,896)</u>	<u>(315,274)</u>	<u>(229,371)</u>
(Loss)/profit before taxation	(509,424)	53,653,296	68,250,294	15,295,480	22,253,969
Income tax	<u>54,462</u>	<u>(9,233,598)</u>	<u>(11,429,282)</u>	<u>(2,535,451)</u>	<u>(4,182,469)</u>
(Loss)/profit and total comprehensive income for the year/period	<u><u>(454,962)</u></u>	<u><u>44,419,698</u></u>	<u><u>56,821,012</u></u>	<u><u>12,760,029</u></u>	<u><u>18,071,500</u></u>

PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

Turnover

Turnover represents revenue from construction contracts and rental income from the lease of machinery. The breakdown of turnover sets out below:

	Year ended 31 March			Three months ended 30 June	
	2012	2013	2014	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>				
Revenue from construction contracts	195,583	449,851	578,476	107,742	196,574
Rental income from lease of machinery	<u>4,173</u>	<u>2,416</u>	<u>2,955</u>	<u>1,101</u>	<u>46</u>
	<u><u>199,756</u></u>	<u><u>452,267</u></u>	<u><u>581,431</u></u>	<u><u>108,843</u></u>	<u><u>196,620</u></u>

FINANCIAL INFORMATION

Construction contract income is recognised based on the stage of completion. The stage of completion is established by reference to the construction works certified by our customers. The portion of total construction contract amount that is certified to have been completed in a period is recognised as turnover of our Group in the respective period.

For the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014, there were respectively, 28, 26, 21 and 9 construction projects contributing approximately HK\$195.6 million, HK\$449.9 million, HK\$578.5 million and HK\$196.6 million, respectively to our turnover. Set out below is the breakdown of such projects based on their respective turnover recognised during the Track Record Period.

	For the year ended 31 March			For the three months ended
	2012	2013	2014	30 June 2014
	<i>No. of projects</i>	<i>No. of projects</i>	<i>No. of projects</i>	<i>No. of projects</i>
Turnover recognised				
HK\$100,000,000 or above	1	2	3	—
HK\$10,000,000 to below				
HK\$100,000,000	2	6	7	5
HK\$1,000,000 to below				
HK\$10,000,000	8	7	6	3
Below HK\$1,000,000	<u>17</u>	<u>11</u>	<u>5</u>	<u>1</u>
	<u>28</u>	<u>26</u>	<u>21</u>	<u>9</u>

As at the Latest Practicable Date, we had 13 projects in progress (representing projects that had commenced but not completed) which, based on the total contract sum of such projects, are expected to contribute approximately HK\$479.4 million and approximately HK\$256.7 million to our turnover from the Latest Practicable Date to 31 March 2015 and for the year ending 31 March 2016, respectively.

FINANCIAL INFORMATION

For the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014, we commenced 13, 11, 8 and 2 projects respectively. Set out below is the breakdown of such projects based on contract sum:

Contract sum	For the year ended 31 March			For the three months ended
	2012	2013	2014	30 June
	<i>No. of projects</i>	<i>No. of projects</i>	<i>No. of projects</i>	<i>2014 No. of projects</i>
HK\$100,000,000 or above	1	3	3	—
HK\$50,000,000 to below				
HK\$100,000,000	—	1	—	—
HK\$10,000,000 to below				
HK\$50,000,000	3	3	2	2
Below HK\$10,000,000	<u>9</u>	<u>4</u>	<u>3</u>	<u>—</u>
	<u>13</u>	<u>11</u>	<u>8</u>	<u>2</u>

The decrease in number of (i) construction projects contributed to our turnover; and (ii) construction projects commenced over the Track Record Period was mainly due to our efforts in pursuing projects of relatively larger scale in terms of contract sum which is in line with our business strategy.

During the Track Record Period, our Group leased unutilised machinery to third party contractors and Chi Fu under operating leases. The rental income from the lease of machinery was recognised as our Group's turnover.

Direct costs

Direct costs primarily consist of (i) construction material costs; (ii) subcontracting charges; (iii) staff costs; (iv) depreciation expenses for machinery; and (v) transportation expenses. Construction material costs mainly represent direct costs for the purchase of concrete and steel. Subcontracting charges represent direct costs for engaging subcontractors to carrying out part of our construction projects when we consider it appropriate or necessary to subcontract after taking into account the availability of our labour resources. Subcontracting charges include mainly costs of piling works, lateral support works, formwork erection works, reinforcement bar fixing works and concreting works. Staff costs represent (i) salaries, wages and other benefits; and (ii) contributions to defined contribution retirement plan provided to direct workers and members of our project team who are directly involved in our foundation and substructure construction projects. Depreciation expenses for machinery and motor vehicles, which are used in generating our Group's turnover, are recognised as part of the direct costs. Transportation expenses are mainly fees paid for transporting our machinery as well as the costs for handling and dumping the excavated soil generated when we carry out our works at construction sites. Transportation companies are engaged to transport our Group's machinery between construction sites and our warehouse as heavy-duty vehicles are required.

FINANCIAL INFORMATION

Our direct costs amounted to approximately HK\$188.9 million and HK\$384.0 million for the two years ended 31 March 2012 and 2013 respectively, representing an increase of approximately 103.3%. For the year ended 31 March 2014, our direct costs amounted to HK\$497.0 million, representing an increase of approximately 29.4% as compared with the year ended 31 March 2013. For the three months ended 30 June 2014, our direct costs amounted to HK\$167.2 million, representing an increase of approximately 84.1% as compared with the three months ended 30 June 2013. The following table sets out the breakdown of our direct costs by nature during the Track Record Period:

	Year ended 31 March			Three months ended 30 June	
	2012	2013	2014	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(unaudited)</i>	
Construction material costs	80,823	161,727	129,334	22,109	47,758
Subcontracting charges	32,267	73,634	172,666	31,002	64,510
Staff costs	23,203	43,144	71,312	11,683	26,586
Depreciation expenses for machinery	6,627	11,649	15,673	3,302	4,913
Transportation expenses	25,985	54,281	41,165	8,724	7,789
Others	<u>20,019</u>	<u>39,588</u>	<u>66,898</u>	<u>14,003</u>	<u>15,670</u>
	<u>188,924</u>	<u>384,023</u>	<u>497,048</u>	<u>90,823</u>	<u>167,226</u>

The amount of each of the elements of direct costs and the composition of direct costs depend on various factors. The amount of construction material costs depends on the volume and price of materials used in projects. The amount of subcontracting charges depends on the amount of construction works that we outsourced to our subcontractors. Staff costs are primarily related to the number of direct workers of our Group and their corresponding salaries at the prevailing market rate. Depreciation arises from machinery which is used directly in generating our Group's turnover.

Construction materials are acquired on a project-by-project basis in accordance with the specification of a project. As such, we do not retain any construction materials as our inventory. Most of the construction materials are delivered by our suppliers directly to our construction sites for immediate consumption. The amount and timing of construction materials to be ordered are assessed and controlled by the foreman and quantity surveyor of our project teams on a project-by-project basis depending on the progress of works and specific requirements of each project. In some projects, certain construction materials might be purchased by our customer on our behalf and the cost will be charged against us. For details on the arrangement, please refer to the section "Business — Customers".

FINANCIAL INFORMATION

The following table illustrates the sensitivity analysis of the estimated increase/decrease of our net profit/(loss) in relation to general percentage changes to the prices of construction material costs, subcontracting charges and staff costs with reference to CAGR from 2009 to 2013 stated in the IPSOS Report, with all other variables being constant.

	Impact on net (loss)/profit				
	for the year			for the three	
	ended 31 March			months ended	
	30 June				
	2012	2013	2014	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Construction material costs					
increase/decrease by:					
+10%	(6,749)	(13,504)	(10,799)	(1,846)	(3,988)
+5%	(3,374)	(6,752)	(5,400)	(923)	(1,994)
-5%	3,374	6,752	5,400	923	1,994
-10%	6,749	13,504	10,799	1,846	3,988

	Impact on (loss)/profit				
	for the year ended			for the three	
	31 March			months ended	
	30 June				
	2012	2013	2014	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Construction subcontracting					
charges increase/decrease by:					
+10%	(2,694)	(6,148)	(14,418)	(2,589)	(5,387)
+5%	(1,347)	(3,074)	(7,209)	(1,294)	(2,693)
-5%	1,347	3,074	7,209	1,294	2,693
-10%	2,694	6,148	14,418	2,589	5,387

	Impact on (loss)/profit				
	for the year ended			for the three	
	31 March			months ended	
	30 June				
	2012	2013	2014	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Staff costs increase/decrease by:					
+10%	(1,937)	(3,603)	(5,955)	(976)	(2,220)
+5%	(969)	(1,801)	(2,977)	(488)	(1,110)
-5%	969	1,801	2,977	488	1,110
-10%	1,937	3,603	5,955	976	2,220

FINANCIAL INFORMATION

Other revenue and other net income

Other revenue and other net income mainly include rental income from investment properties, comprising of a residential property and a car parking space, and gain on disposal of fixed assets. During the Track Record Period, our Group disposed of certain fixed assets, which mainly included investment properties, machinery and motor vehicles, sales proceeds of which are regarded as gain on disposal of fixed asset. In July 2014, our Group disposed of the aforesaid residential property to Mr. Leung and Mr. Kwan.

For details on the disposal of investment properties, please refer to paragraph “Related Party Transactions” in this section.

General and administrative expenses

General and administrative expenses consist primarily of staff costs, depreciation expenses and operating lease rental on premises. The following table sets out general and administrative expenses by nature during the Track Record Period:

	Year ended 31 March			Three months ended 30 June	
	2012	2013	2014	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>				
Staff costs, including					
Directors' emoluments	6,480	7,407	10,317	2,137	2,957
Depreciation	490	538	515	120	236
Operating lease rental on premises	1,479	1,707	2,406	492	807
Write off of retention receivables	—	809	—	—	—
Listing expenses	—	—	—	—	2,740
Others	3,652	4,652	4,723	836	1,330
	<u>12,101</u>	<u>15,113</u>	<u>17,961</u>	<u>3,585</u>	<u>8,070</u>

Staff costs represent (i) salaries, wages and other benefits; and (ii) contributions to defined contribution retirement plan and benefits provided to our Directors, our senior management and administrative staff. Operating lease rental on premises mainly represents rental expenses for office and warehouse rented by our Group during the Track Record Period. Depreciation expenses for leasehold improvement, furniture and fixtures and investment properties, which are not directly involved in foundation and substructure construction projects, are recognised as general and administrative expenses. Other general and administrative expenses mainly represent our Group's expenditures incurred for consultancy, legal advisory services and other utilities.

FINANCIAL INFORMATION

During the year ended 31 March 2013, retention receivables of approximately HK\$0.8 million had been written off as the amounts were not recovered after the defect liability period.

During the three months ended 30 June 2014, listing expenses represent fees of legal and other advisers in connection with the Listing.

Finance costs

Finance costs represent interest expenses on bank overdrafts, other borrowings and finance lease liabilities as set out below.

	Year ended 31 March			Three months ended 30 June	
	2012	2013	2014	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(unaudited)</i>	
Interest on bank overdrafts and other borrowings wholly repayable within five years	336	1,412	440	124	104
Finance charges on obligations under finance leases	<u>226</u>	<u>231</u>	<u>866</u>	<u>191</u>	<u>125</u>
	<u>562</u>	<u>1,643</u>	<u>1,306</u>	<u>315</u>	<u>229</u>

Finance charges were incurred for some of our Group's machinery and motor vehicles that were acquired under finance leases during the Track Record Period. Some of the interest on bank borrowings were determined with reference to prevailing market rate.

The substantial increase in interest on bank overdrafts and other borrowings during the year ended 31 March 2013 was mainly due to the interest charged on the short-term financing of HK\$10.0 million.

The substantial increase in finance charges on obligations under finance leases for the year ended 31 March 2014 was mainly due to the additional machinery acquired to cater for more projects of larger scale.

Income tax

Our Group's turnover during the Track Record Period was derived in Hong Kong and our Group was subject to profits tax in Hong Kong. Hong Kong profits tax is charged at a statutory rate of 16.5% of the estimated assessable profits for the Track Record Period. Our Group had loss before taxation of approximately HK\$0.5 million for the year ended 31 March 2012. The effective tax rates of our Group for the two years ended 31 March 2013 and 2014 and the three months ended 30 June 2014 were approximately 17.2%, 16.7% and 18.8% respectively.

FINANCIAL INFORMATION

DISCUSSION OF RESULTS OF OPERATIONS

Three months ended 30 June 2014 compared to three months ended 30 June 2013

Turnover

Our Group's turnover increased by approximately HK\$87.8 million, or 80.6%, from approximately HK\$108.8 million for the three months ended 30 June 2013 to approximately HK\$196.6 million for the three months ended 30 June 2014.

Turnover derived from construction contracts increased from approximately HK\$107.7 million for the three months ended 30 June 2013 to approximately HK\$196.6 million for the three months ended 30 June 2014. Such increase was mainly due to the increase of the number of projects that contributed for more than HK\$10 million to our turnover during the corresponding periods from 3 projects during the three months ended 30 June 2013 to 5 projects during the three months ended 30 June 2014, respectively.

The effect was partially offset by the decrease of rental income from the lease of machinery which decreased from approximately HK\$1.1 million for the three months ended 30 June 2013 to approximately HK\$46,000 for the three months ended 30 June 2014 as less customers approached us to lease our machinery during the three months ended 30 June 2014.

Direct costs

Our Group's direct costs increased by approximately HK\$76.4 million, or 84.1%, from approximately HK\$90.8 million for the three months ended 30 June 2013 to approximately HK\$167.2 million for the three months ended 30 June 2014.

Construction material costs increased by approximately HK\$25.6 million, or 116.0%, to approximately HK\$47.8 million for the three months ended 30 June 2014 mainly because we undertook projects of relatively larger scales which specifically required more construction materials due to their nature during the three months ended 30 June 2014.

Subcontracting charges increased by approximately HK\$33.5 million, or 108.1%, to approximately HK\$64.5 million for the three months ended 30 June 2014. Such increase in subcontracting charges was mainly due to the fact that the projects we undertaken for the three months ended 30 June 2014 required construction services of piling works, which we generally subcontracted to subcontractors.

Our staff costs increased by approximately HK\$14.9 million, or 127.6%, to approximately HK\$26.6 million for the three months ended 30 June 2014 due to the increase in total number of direct workers, plant operators and members of project management and execution team to cope with our business growth as well as the salary increment of existing staff.

FINANCIAL INFORMATION

Gross profit and gross profit margin

Our Group's total gross profit increased by approximately HK\$11.4 million, or 63.1%, from approximately HK\$18.0 million for the three months ended 30 June 2013 to approximately HK\$29.4 million for the three months ended 30 June 2014. Such increase was primarily due to the growth of our turnover. Our gross profit margin decreased slightly from approximately 16.6% for the three months ended 30 June 2013 to approximately 14.9% for the three months ended 30 June 2014 because of an increase in the staff costs for plant operators and subcontracting charges. Our gross profit margin was determined on a project-by-project basis. We closely monitored progress of our projects and controlled costs incurred during projects execution.

Other revenue and other net income

Our Group recorded other net income, namely the gain on disposal of fixed assets, of approximately HK\$1.1 million and HK\$1.0 million for the three months ended 30 June 2013 and 2014, respectively. Our other revenue, which mainly consists of rental income from investment properties, amounted to approximately HK\$0.1 million for each of the three months ended 30 June 2013 and 2014, respectively.

General and administrative expenses

Our Group's general and administrative expenses increased by approximately HK\$4.5 million, or 125%, from approximately HK\$3.6 million for the three months ended 30 June 2013 to approximately HK\$8.1 million for the three months ended 30 June 2014. Such increase was mainly due to the increase in staff costs of approximately HK\$0.8 million as a result of salary increment for administrative staff and listing expenses of approximately HK\$2.7 million recognised during the three months ended 30 June 2014.

Finance costs

Finance costs decreased from approximately HK\$0.3 million for the three months ended 30 June 2013 to approximately HK\$0.2 million for the three months ended 30 June 2014. The decrease in interest is attributable to a decrease of the average interest rate of financing during the three months ended 30 June 2014.

Income tax

The effective tax rates for the three months ended 30 June 2013 and 2014 were approximately 16.6% and 18.8%, respectively, which were higher than the statutory profits tax rate of 16.5% because certain expenses were not deductible for tax purpose.

Profit for the period

As aforesaid, particularly in light of the increase in turnover, our Group's profit for the three months ended 30 June 2014 was approximately HK\$18.1 million, indicating a growth of approximately HK\$5.3 million, or 41.6%, when compared with the three months ended 30 June 2013.

FINANCIAL INFORMATION

Year ended 31 March 2014 compared with year ended 31 March 2013

Turnover

Our Group's turnover increased by around HK\$129.1 million, or 28.6%, from approximately HK\$452.3 million for the year ended 31 March 2013 to approximately HK\$581.4 million for the year ended 31 March 2014. Such increase was mainly due to our efforts in pursuing projects of relatively larger scale in terms of contract sum, which is in line with our business strategy. For the year ended 31 March 2014, there were 3 projects with turnover contribution of more than HK\$100 million, as compared to 2 projects for the year ended 31 March 2013.

Our Group leased certain unutilised machinery to earn additional rental income. The rental income we earned from the lease of machinery amounted to approximately HK\$2.4 million and HK\$3.0 million for the years ended 31 March 2013 and 2014, respectively.

Direct costs

Our Group's direct costs increased by approximately HK\$113.0 million, or 29.4%, from approximately HK\$384.0 million for the year ended 31 March 2013 to approximately HK\$497.0 million for the year ended 31 March 2014. Such increase was primarily due to the increase in subcontracting charges, staff costs and depreciation expenses, partially offset by the decrease in construction material costs.

Subcontracting charges increased by approximately HK\$99.0 million, or 134.5%, to approximately HK\$172.7 million for the year ended 31 March 2014. Such significant increase in subcontracting charges was mainly due to the increase in the number of construction projects with contract sum over HK\$100 million. Our construction projects with turnover contribution of more than HK\$100 million increased from 2 projects for the year ended 31 March 2013 to 3 projects for the year ended 31 March 2014. These projects require more subcontracting works, such as piling works, lateral support works, formwork erection works, reinforcement bar fixing works and concreting works.

Our staff costs increased by around 65.3% to approximately HK\$71.3 million for the year ended 31 March 2014 due to the increase in the number of direct workers to cope with our business growth as well as the salary increment for existing staff. The daily salary of our plant operators increased over 40% for the year ended 31 March 2014.

The depreciation expenses increased from approximately HK\$11.6 million for the year ended 31 March 2013 to approximately HK\$15.7 million, representing a year-on-year increase of approximately HK\$4.1 million, or 34.5%. Such increase was due to the significant additions of machinery during the year ended 31 March 2014 of approximately HK\$38.7 million. The major machinery acquired during the year ended 31 March 2014 include excavators and hydraulic rock breakers.

FINANCIAL INFORMATION

The decrease in the construction material costs of approximately HK\$32.4 million was mainly due to the recognition of a full year construction material cost for a project which required a relatively higher purchase of construction materials for the year ended 31 March 2013 as compared to the recognition of less-than-a-year construction material cost for the year ended 31 March 2014 for the same project as the respective project was completed during the fourth quarter of 2013.

Gross profit and gross profit margin

Our Group's total gross profit increased by around HK\$16.2 million, or 23.7%, from approximately HK\$68.2 million for the year ended 31 March 2013 to approximately HK\$84.4 million for the year ended 31 March 2014. Such increase was in line with the growth of our turnover. The slight decrease of gross profit margin from approximately 15.1% for the year ended 31 March 2013 to approximately 14.5% for the year ended 31 March 2014 was mainly due to the increase in the staff costs for plant operators and subcontracting charges. Our gross profit margin was determined on a project-by-project basis and we closely monitored our projects progress and controlled costs incurred during projects execution.

Other revenue and other net income

Our Group recorded other net income, which represents gain on disposal of fixed assets, of approximately HK\$1.8 million and HK\$2.6 million for the two years ended 31 March 2013 and 2014 respectively. Our other revenue mainly consists of rental income from investment properties of approximately HK\$0.4 million for the year ended 31 March 2013 and HK\$0.5 million for the year ended 31 March 2014. The increase was mainly due to the increase in the number of months in which the investment property was rented out from ten months during the year ended 31 March 2013 to twelve months during the year ended 31 March 2014.

General and administrative expenses

Our Group's general and administrative expenses increased by around HK\$2.9 million, or 18.8%, from approximately HK\$15.1 million for the year ended 31 March 2013 to approximately HK\$18.0 million for the year ended 31 March 2014. Such increase was mainly due to the increase in staff costs of approximately HK\$2.9 million as a result of salary increment of existing administrative staff of approximately HK\$2.6 million and the increase in Directors' emolument.

Finance costs

Finance costs decreased from approximately HK\$1.6 million for the year ended 31 March 2013 to approximately HK\$1.3 million for the year ended 31 March 2014.

The decrease in interest on overdrafts and other borrowings was due to an one-off interest expense of approximately HK\$1 million paid on short term financing during the year ended 31 March 2013 whilst there was no such other borrowing raised during the year ended 31 March 2014.

The finance charges on obligations under finance leases increased with the total obligations under finance leases from approximately HK\$7.8 million as at 31 March 2013 to approximately HK\$17.3 million as at 31 March 2014. Such increase was mainly due to additional machinery purchased to cater for more projects of larger scale in 2014.

FINANCIAL INFORMATION

Income tax

The effective tax rates for the two years ended 31 March 2013 and 2014 were approximately 17.2% and 16.7% respectively, which were higher than the statutory profits tax rate of 16.5% because certain expenses were not deductible for tax purpose.

Profit for the year

As aforesaid, particularly in light of the increase in turnover, our Group's profit for the year ended 31 March 2014 was approximately HK\$56.8 million, indicating a growth of approximately HK\$12.4 million, or 27.9%, on a year-on-year basis.

Year ended 31 March 2013 compared with year ended 31 March 2012

Turnover

Our Group's turnover increased by around HK\$252.5 million, or 126.4%, from approximately HK\$199.8 million for the year ended 31 March 2012 to approximately HK\$452.3 million for the year ended 31 March 2013. Such increase was mainly due to the increase in the number of projects contributing to turnover of over HK\$100 million from 1 project for the year ended 31 March 2012 to 2 projects for the year ended 31 March 2013.

Direct costs

Our Group's direct costs increased by approximately HK\$195.1 million, or 103.3%, from approximately HK\$188.9 million for the year ended 31 March 2012 to approximately HK\$384.0 million for the year ended 31 March 2013. Such increase was mainly due to the increase in construction material costs, subcontracting charges, staff costs and transportation expenses.

The construction material costs increased by approximately HK\$80.9 million, or 100.1%, on a year-on-year basis as we commenced 3 projects with contract sum of over HK\$100 million during the year ended 31 March 2013 and one of the 3 projects required relatively more construction materials as compared with those of similar scale.

The subcontracting charges increased by around HK\$41.4 million, or 128.2%, for the year ended 31 March 2013 as we undertook more projects and we engaged more subcontracting works in projects with contract sum of over HK\$100 million after the consideration of our capability, resources level, cost effectiveness and complexity of these projects.

Our staff costs increased by approximately HK\$19.9 million, or 85.9%, to approximately HK\$43.1 million for the year ended 31 March 2013 due to the increase in the number of staff members such as plant operators and direct workers to cope with our business growth as well as the salary increment of existing staff.

FINANCIAL INFORMATION

The increase in depreciation expenses of approximately HK\$5.0 million, or 75.8%, on a year-on-year basis was due to the significant additions of machinery during the year ended 31 March 2013 of approximately HK\$37.4 million.

The transportation expenses for the year ended 31 March 2013 increased by HK\$28.3 million, or 108.9%, as compared with that for the year ended 31 March 2012, in line with the increase of turnover of approximately 126.4%.

Gross profit and gross profit margin

Our Group's total gross profit increased by approximately HK\$57.4 million, or 5.3 times, from approximately HK\$10.8 million for the year ended 31 March 2012 to approximately HK\$68.2 million for the year ended 31 March 2013. Such increase was mainly due to the growth of our turnover attributable to the increase in the number of project with turnover recognised of over HK\$100 million from 1 project for the year ended 31 March 2012 to 2 projects for the year ended 31 March 2013. Our gross profit margin increased significantly from approximately 5.4% for the year ended 31 March 2012 to approximately 15.1% for the year ended 31 March 2013 primarily because we undertook a project with contract sum above HK\$100 million with a gross profit margin of 0.5% for the year ended 31 March 2012. Our Directors considered that it was for the benefit of the future development of our Group to tender the said project at a competitive rate in order to obtain the first project with contract sum above HK\$100 million awarded by the Hsin Chong Companies. As we undertook more projects of larger scale in 2013 and considering our resources level, we were able to tender projects with a higher gross profit margin in 2013.

Other revenue and other net income

Our other revenue mainly consists of rental income from investment properties. We purchased an investment property in March 2012 and had rented it to a third party to earn rental income since May 2012. Our rental income from the lease of our investment properties amounted to approximately HK\$0.4 million for the year ended 31 March 2013 as compared to nil for the year ended 31 March 2012. Our other net income represents the gain on disposal of fixed assets. As our Group acquired adequate machinery during the year to replace old machines, more machines were disposed of during the year ended 31 March 2013.

General and administrative expenses

Our Group's general and administrative expenses increased by approximately HK\$3.0 million, or 24.9%, from HK\$12.1 million for the year ended 31 March 2012 to HK\$15.1 million for the year ended 31 March 2013. Such increase was mainly due to (i) the increase in staff costs of approximately HK\$1 million as a result of the increase in the number and salary of administrative staff and the increase in Directors' emoluments; (ii) the bad debt written off of HK\$0.8 million on retention receivables; and (iii) the increase in office rents and rates and building management fees of HK\$0.2 million.

FINANCIAL INFORMATION

Finance costs

Finance costs increased from HK\$0.6 million for the year ended 31 March 2012 to HK\$1.6 million for the year ended 31 March 2013. The substantial increase in interest on overdraft and other borrowings during the year ended 31 March 2013 was mainly due to the interest charged on the short-term financing of HK\$10.0 million.

Income tax

Income tax credit for the year ended 31 March 2012 amounted to approximately HK\$54,000 while income tax expense for the year ended 31 March 2013 amounted to approximately HK\$9.2 million. The effective tax rate for the year ended 31 March 2013 was 17.2%, which was higher than the statutory profits tax rate of 16.5% because certain expenses were not deductible for tax purpose.

Profit/loss for the year

As aforesaid, particularly in light of the increase in turnover, our Group's loss for the year ended 31 March 2012 was approximately HK\$0.5 million while profit for the year ended 31 March 2013 was approximately HK\$44.4 million.

LIQUIDITY AND CAPITAL RESOURCES

Our Group had met its liquidity requirements principally through a combination of internal resources, bank borrowings and finance leases during the Track Record Period. We monitor the liquidity position of our Group and management meetings will be held to review the cash flow of our operation. Our primary liquidity requirements are to finance our working capital, fund the payment of interest and principal due on our indebtedness and fund our capital expenditures and growth of our operations. We expect these sources will continue to be our principal sources of cash flow, and we may use a portion of the proceeds from the Share Offer to finance a portion of our liquidity requirements.

As at 31 October 2014, we had committed banking facilities (including the finance lease facilities) of approximately HK\$29.5 million which bore interest rate at 2.8% to 5.9% per annum, and we had cash and cash equivalents of approximately HK\$44.2 million.

FINANCIAL INFORMATION

Cash Flows

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

	Year ended 31 March			Three months ended 30 June	
	2012	2013	2014	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>				
Cash and cash equivalents at the beginning of the year/period	<u>6,514</u>	<u>8,657</u>	<u>6,584</u>	<u>6,584</u>	<u>3,168</u>
Net cash (used in)/ generated from operating activities	(4,133)	46,619	38,855	54,242	56,881
Net cash (used in)/ generated from investing activities	(11,121)	(26,791)	(17,401)	1,470	9,686
Net cash generated from/(used in) financing activities	<u>17,397</u>	<u>(21,901)</u>	<u>(24,870)</u>	<u>(8,619)</u>	<u>2,976</u>
Net increase/(decrease) in cash and cash equivalents	<u>2,143</u>	<u>(2,073)</u>	<u>(3,416)</u>	<u>47,093</u>	<u>69,543</u>
Cash and cash equivalents at the end of the year/period	<u><u>8,657</u></u>	<u><u>6,584</u></u>	<u><u>3,168</u></u>	<u><u>53,677</u></u>	<u><u>72,711</u></u>

Cash flows from operating activities

Our operating cash inflows are primarily derived from our turnover from the provision of construction services and rental income from the lease of machinery, whereas our operating cash outflows mainly comprise of payment for subcontracting charges, staff costs, transportation expenses, purchase of construction materials, as well as other working capital needs. Our net cash flow used in or generated from operating activities primarily reflects our profit or loss before income tax, as adjusted for non-operating items, such as depreciation, gain on disposal of fixed assets, interest expenses, and the effects of changes in working capital such as increase or decrease in trade and other receivables, trade and other payables and balances with related companies.

Cash flows from operating activities can be significantly affected by factors such as the timing of collection of trade receivables from customers and the timing of payment of trade and other payables to suppliers and subcontractors during our ordinary course of business, which also primarily accounted for the difference in the net cash generated from operating activities among the years during the Track Record Period.

FINANCIAL INFORMATION

For the three months ended 30 June 2014, we had net cash generated from operating activities of approximately HK\$56.9 million, primarily as a result of (i) profit before taxation of approximately HK\$22.3 million, positively adjusted for depreciation of approximately HK\$5.1 million and finance costs of approximately HK\$0.2 million, partially offset by gain on disposal of fixed assets of approximately HK\$1.0 million; (ii) decrease in trade and other receivables of approximately HK\$1.8 million; (iii) decrease in amounts due from related parties of approximately HK\$0.3 million; (iv) decrease in gross amounts due from customers for contract work of approximately HK\$2.1 million; (v) increase in trade and other payables of approximately HK\$2.4 million; and (vi) increase in gross amounts due to customers for contract work of approximately HK\$23.6 million.

For the year ended 31 March 2014, we had net cash generated from operating activities of approximately HK\$38.9 million, primarily as a result of (i) profit before taxation of approximately HK\$68.3 million, positively adjusted for depreciation of approximately HK\$17.5 million and finance costs of approximately HK\$1.3 million, partially offset by gain on disposal of fixed assets of approximately HK\$2.6 million; (ii) increase in trade and other receivables of approximately HK\$37.5 million; (iii) increase in amounts due from related parties of approximately HK\$5.8 million; (iv) increase in gross amounts due from customers for contract work of approximately HK\$3.5 million; (v) decrease in trade and other payables of approximately HK\$0.9 million; (vi) increase in gross amounts due to customers for contract work of approximately HK\$9.5 million; and (vii) income tax payment of approximately HK\$7.5 million for the year ended 31 March 2014.

For the year ended 31 March 2013, we had net cash generated from operating activities of approximately HK\$46.6 million, primarily as a result of (i) profit before taxation of approximately HK\$53.7 million, positively adjusted for depreciation of approximately HK\$11.1 million and finance costs of approximately HK\$1.6 million, partially offset by gain on disposal of fixed assets of approximately HK\$1.8 million; (ii) increase in trade and other receivables of approximately HK\$51.9 million; (iii) increase in gross amounts due from customers for contract work of approximately HK\$40.6 million; (iv) increase in amounts due from related parties of approximately HK\$1.2 million; and (v) increase in trade and other payables of approximately HK\$76.2 million.

For the year ended 31 March 2012, we had net cash used in operating activities of approximately HK\$4.1 million, primarily as a result of (i) loss before taxation of approximately HK\$0.5 million, positively adjusted for depreciation of approximately HK\$7.3 million; (ii) increase in trade and other receivables of approximately HK\$10.7 million; (iii) decrease in gross amounts due from customers for contract work of approximately HK\$1.1 million; (iv) increase in trade and other payables of approximately HK\$2.9 million; (v) decrease in gross amounts due to customers for contract work of approximately HK\$1.9 million; and (vi) income tax payment of approximately HK\$1.9 million.

Cash flows from investing activities

Our cash inflows from investing activities primarily include cash generated from disposal of fixed assets, whereas our cash outflows from investing activities primarily include cash used in the purchase of fixed assets.

FINANCIAL INFORMATION

For the three months ended 30 June 2014, we recorded net cash generated from investing activities of approximately HK\$9.7 million, which was primarily attributable to cash used in our purchase of machinery, motor vehicles and leasehold improvement of approximately HK\$8.0 million, offset by the net proceeds from sales and leaseback transactions of approximately HK\$15.1 million, and proceeds from disposal of fixed assets of approximately HK\$2.6 million.

For the year ended 31 March 2014, we recorded net cash used in investing activities of approximately HK\$17.4 million, which was primarily attributable to cash used in our purchase of machinery, motor vehicles and investment property of approximately HK\$39.3 million, offset by the net proceeds from sales and leaseback transactions of approximately HK\$15.9 million, and proceeds from disposal of fixed assets of approximately HK\$6.0 million.

For the year ended 31 March 2013, we recorded net cash used in investing activities of approximately HK\$26.8 million, which was primarily attributable to cash used in our purchase of machinery and motor vehicles of approximately HK\$29.0 million, offset by proceeds from disposal of fixed assets of approximately HK\$2.2 million.

For the year ended 31 March 2012, we recorded net cash used in investing activities of approximately HK\$11.1 million, which was mainly attributable to cash used in our purchase of machinery and investment properties of approximately HK\$17.5 million, offset by proceeds from disposal of fixed assets of approximately HK\$6.4 million.

Cash flows from financing activities

Our cash inflows from financing activities mainly include proceeds from bank loans, while our cash outflows from financing activities primarily include repayment of bank loans, interest payment, and amounts due from/to related parties.

For the three months ended 30 June 2014, we had net cash generated from financing activities of approximately HK\$3.0 million, which was mainly attributable to the proceeds from bank loans of approximately HK\$12.0 million, partially offset by the repayment of bank loans of approximately HK\$2.0 million, increase in amounts due from related parties of HK\$0.6 million, repayment of obligations under finance leases of approximately HK\$6.2 million and interest payment of approximately HK\$0.2 million.

For the year ended 31 March 2014, we had net cash used in financing activities of approximately HK\$24.9 million, which was mainly attributable to repayment of bank loans of approximately HK\$31.3 million, increase in amounts due from related parties of HK\$13.1 million, repayment of obligations under finance leases of approximately HK\$12.2 million and interest payment of approximately HK\$1.3 million, partially offset by the proceeds from bank loans of approximately HK\$33.5 million.

For the year ended 31 March 2013, we had net cash used in financing activities of approximately HK\$21.9 million, which was mainly attributable to the repayment of bank loans of approximately

FINANCIAL INFORMATION

HK\$20.7 million, decrease in amounts due to related parties of HK\$16.4 million, repayment of obligations under finance leases of approximately HK\$2.1 million and interest payment of approximately HK\$1.6 million, partially offset by the proceeds from bank loans of HK\$20.0 million.

For the year ended 31 March 2012, we had net cash generated from financing activities of approximately HK\$17.4 million, which was mainly attributable to the proceeds from bank loans of approximately HK\$9.7 million, increase in amounts due to related parties of approximately HK\$14.4 million, partially offset by the repayment of bank loans of approximately HK\$4.5 million, repayment of obligations under finance leases of approximately HK\$1.7 million and interests payment of approximately HK\$0.6 million.

CAPITAL EXPENDITURES

The following table sets out our Group's capital expenditure for the periods indicated. Our capital expenditures were financed by finance leases and funded by cash generated from operations.

	Year ended 31 March			Three months ended 30 June
	2012	2013	2014	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Machinery	925	37,406	38,715	4,000
Leasehold improvements	—	—	—	1,022
Furniture and fixtures	376	260	193	202
Motor vehicles	1,917	3,052	1,596	2,029
Investment properties	15,699	—	1,739	—
	<u>18,917</u>	<u>40,718</u>	<u>42,243</u>	<u>7,253</u>

Our Group's capital expenditure primarily consists of purchases of machinery and motor vehicles. Proper investment in machinery is crucial to our core business and operations as it has direct impact on our flexibility without struggling with the availability of required machinery and the fluctuation of machinery rental. During the Track Record Period, our Group purchased a residential property and a parking space for investment purpose. For details, please refer to the section "Business — Properties". In June 2014, our Group had disposed of the aforementioned parking space to Mr. Leung Chun Sing and Ms. Leung Pui Lam, being the children of Mr. Leung, at a total consideration of HK\$1.7 million. In July 2014, our Group disposed of the aforementioned residential property to Mr. Kwan and Mr. Leung at a total consideration of HK\$15.0 million. For details, please refer to the paragraph "Related Party Transactions" in this section. Our Group plans to finance future capital expenditures primarily through the net proceeds of the Share Offer and cash flows generated from operations. We intend to use approximately HK\$40.0 million of our net proceeds to acquire additional machinery in the next 2 years to cope with our business growth in our foundation and substructure construction business. For details, please refer to the section "Future Plans and Use of Proceeds". As our Group continues to expand, we may incur additional capital expenditures.

FINANCIAL INFORMATION

WORKING CAPITAL

Our Directors are of the opinion that, taking into consideration the internal resources, the unutilised banking facilities presently available to our Group and the estimated net proceeds of the Share Offer, we have sufficient working capital for our present requirements for at least the next 12 months commencing on the date of this prospectus.

NET CURRENT (LIABILITIES)/ASSETS

The following table sets forth the breakdown of our Group's current liabilities and current assets as at each reporting date:

	As at 31 March			As at 30 June 2014	As at 31 October 2014
	2012	2013	2014	2014	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					<i>(unaudited)</i>
Current assets					
Gross amounts due from customers for					
contract work	6,987	47,614	51,130	49,021	35,049
Trade and other receivables	36,327	88,238	125,754	124,003	136,792
Amounts due from related parties	1,381	3,646	22,488	22,761	336
Cash and cash equivalents	8,657	6,584	9,090	72,727	44,222
	<u>53,352</u>	<u>146,082</u>	<u>208,462</u>	<u>268,512</u>	<u>216,399</u>
Current liabilities					
Gross amounts due to customers for					
contract work	289	218	9,676	33,247	41,885
Trade and other payables	23,740	105,758	102,470	117,730	128,770
Amounts due to related parties	32,051	15,278	14,900	15,016	439
Bank loans and overdrafts	10,872	10,206	18,287	22,341	1,866
Obligations under finance leases	1,506	2,887	7,054	11,384	11,499
Tax payable	331	6,675	8,305	11,933	14,856
	<u>68,789</u>	<u>141,022</u>	<u>160,692</u>	<u>211,651</u>	<u>199,315</u>
Net current (liabilities)/assets	<u>(15,437)</u>	<u>5,060</u>	<u>47,770</u>	<u>56,861</u>	<u>17,084</u>

As at 31 March 2012, we had net current liabilities of approximately HK\$15.4 million. The key components of our current assets as at 31 March 2012 included trade and other receivables of approximately HK\$36.3 million, cash and cash equivalents of approximately HK\$8.7 million, gross amounts due from contract work of approximately HK\$7.0 million and amounts due from related parties of approximately HK\$1.4 million. The key components of our current liabilities included amounts due to related parties of approximately HK\$32.1 million, trade and other payables of

FINANCIAL INFORMATION

approximately HK\$23.7 million, bank loans and overdraft of approximately HK\$10.9 million, obligations under finance leases of approximately HK\$1.5 million, tax payable of approximately HK\$0.3 million and gross amounts due to customers for contract work of approximately HK\$0.3 million.

The net current liabilities position as at 31 March 2012 was primarily attributable to the amounts due to related parties of approximately HK\$32.1 million, which were unsecured, interest free and had no fixed terms of repayment.

As at 31 March 2013, we ceased to be in a net current liabilities position and we recorded net current assets of approximately HK\$5.1 million. Such improvement in our net current assets position was primarily attributable to (i) our business growth in 2013 as compared to 2012 resulting the significant increase in our current assets, including the increase in our trade and other receivables from approximately HK\$36.3 million as at 31 March 2012 to approximately HK\$88.2 million as at 31 March 2013 and the increase in our gross amounts due from customers for contract work from approximately HK\$7.0 million as at 31 March 2012 to approximately HK\$47.6 million as at 31 March 2013; and (ii) the decrease in our amounts due to related parties from approximately HK\$32.1 million as at 31 March 2012 to approximately HK\$15.3 million as at 31 March 2013 due to partial settlement. These were partially offset by (i) an increase in trade and other payables from approximately HK\$23.7 million as at 31 March 2012 to approximately HK\$105.8 million as at 31 March 2013 which was in line with our business growth in 2013; and (ii) the increase in tax payable from approximately HK\$0.3 million as at 31 March 2012 to approximately HK\$6.7 million as at 31 March 2013 resulting from the substantial increase in our profit in 2013.

As at 31 March 2014, we recorded net current assets of approximately HK\$47.8 million. The improvement was mainly due to our business growth in 2014 as compared to 2013 resulting in (i) an increase in our trade and other receivables from approximately HK\$88.2 million as at 31 March 2013 to approximately HK\$125.8 million as at 31 March 2014; and (ii) an increase in amounts due from related companies from approximately HK\$3.6 million as at 31 March 2013 to approximately HK\$22.5 million as at 31 March 2014. These were partially offset by an increase in bank loans and overdrafts from approximately HK\$10.2 million as at 31 March 2013 to approximately HK\$18.3 million as at 31 March 2014.

As at 30 June 2014, we recorded net current assets of approximately HK\$56.9 million. The increase in net current assets was mainly due to an increase in our cash and cash equivalents from approximately HK\$9.1 million as at 31 March 2014 to approximately HK\$72.7 million as at 30 June 2014 as the result of the increase in our cash flow generated from operations from our continuous business growth. The effect was partially offset by (i) an increase in gross amounts due to customers for contract work from approximately HK\$9.7 million as at 31 March 2014 to approximately HK\$33.2 million as at 30 June 2014; (ii) an increase in trade and other payables from approximately HK\$102.5 million as at 31 March 2014 to approximately HK\$117.7 million; (iii) an increase in bank loans and overdrafts from approximately HK\$18.3 million as at 31 March 2014 to approximately HK\$22.3 million as at 30 June 2014; (iv) an increase in obligations under finance leases from approximately HK\$7.1 million as at 31 March 2014 to approximately HK\$11.4 million as at 30 June 2014; and (v) an increase in tax payable from approximately HK\$8.3 million as at 31 March 2014 to approximately HK\$11.9 million as at 30 June 2014.

FINANCIAL INFORMATION

As at 31 October 2014, being the latest practicable date for ascertaining our current assets position, we recorded net current assets of approximately HK\$17.1 million, representing a decrease of HK\$39.8 million, or 70.0%, as compared with the net current assets as at 30 June 2014. Such decrease in our net current assets position was mainly due to the dividend payment of HK\$40.0 million by our Group subsequent to 30 June 2014.

ANALYSIS OF VARIOUS ITEMS FROM THE STATEMENTS OF FINANCIAL POSITION

Fixed assets

Our Group's fixed assets mainly consist of machinery and investment properties. Our foundation and substructure construction works require the use of machinery, such as excavators, crawler cranes, hydraulic rock breakers and hydraulic crawler drillers. The carrying amount of our Group's machinery increased from approximately HK\$10.2 million as at 31 March 2012 to approximately HK\$37.8 million as at 31 March 2013 and further increased to approximately HK\$58.5 million as at 31 March 2014. The carrying amount of our Group's machinery was HK\$57.4 million as at 30 June 2014 which remained relatively stable. Our Group invested continuously in machinery during the Track Record Period. For the three years ended 31 March 2012, 2013 and 2014 and three months ended 30 June 2014, our Group acquired additional machinery for approximately HK\$0.9 million, HK\$37.4 million, HK\$38.7 million and HK\$4.0 million, respectively.

Gross amounts due from/to customers for contract work

Our turnover from construction contracts is recognised based on the stage of completion of the contracts. The stage of completion is established by reference to construction works certified. There is normally a timing difference between the completion of site works and the issuance of progress certificates and billing of the construction projects. Gross amounts due from customers for contract work represent the surplus derived when the contract costs incurred to date plus recognised profits less recognised losses exceed progress billings. Gross amounts due to customers for contract work represent the excess of progress billings over contract costs incurred to date plus recognised profit less recognised loss. The following table sets out our Group's gross amounts due from/to customers for contract work as at each reporting date:

	As at 31 March			As at
	2012	2013	2014	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2014</i>
				<i>HK\$'000</i>
Gross amounts due from customers for contract work	6,986	47,614	51,131	49,021
Gross amounts due to customers for contract work	(289)	(218)	(9,676)	(33,247)
	<u>6,697</u>	<u>47,396</u>	<u>41,455</u>	<u>15,774</u>

FINANCIAL INFORMATION

The gross amounts due from/to customers for contract work vary from period to period due to the impact from the difference in volume and value of construction works we performed close to the end of each reporting periods and timing when we received payment certificates from our customers.

As at 31 March 2014 and 30 June 2014, gross amounts due from customers for contract work included a balance of approximately HK\$25.9 million not yet certified by Hsin Chong Companies. Hsin Chong Companies was one of our top customers during the three years ended 31 March 2012, 2013 and 2014 and for the three months period ended 30 June 2014 and had business relationship with us for more than 10 years. The gross amount due from Hsin Chong Companies are related to two projects with contract sum of over HK\$100 million for our services including ELS works and pile caps construction, which was completed in the fourth quarter of 2012 and 2013, respectively. Of the gross amount due from Hsin Chong Companies, all of which are the payment for the variation of orders in settling the final account. Our customers generally take longer to approve the final account as compared to the interim payments by the relevant parties including architect and structural engineer. As such, Hsin Chong Companies is still in the process of finalising the contract sum of construction works performed by us. In November 2014, our Group received payment certificates from Hsin Chong Companies amounted to approximately HK\$26.1 million in connection with the construction works mentioned above.

Trade and other receivables

Our Group's trade and other receivables mainly consist of trade debtors and retention receivables. After our customers issued the payment certificate, we will then issue an invoice to our customers. We give our customers credit terms ranging from 0-42 days. The retention money is retained by our customers at a rate up to 10% of each interim payment made to us and up to a maximum limit of 5% of the total contract sum for each project. The retention money will be withheld by our customers and 50% of which will be released to us on the issue of practicable completion certificate and the remaining 50% upon the agreement of the final account between our customers and us. Please refer to the section "Business — Operating Procedures" for details.

The following table sets out the breakdown of trade and other receivables as at each reporting date:

	As at 31 March			As at 30 June
	2012	2013	2014	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade debtors	15,383	56,036	72,972	59,337
Deposits, prepayments and other receivables	974	1,129	1,959	3,037
Retention receivables	19,970	31,073	50,823	61,629
	<u>36,327</u>	<u>88,238</u>	<u>125,754</u>	<u>124,003</u>

FINANCIAL INFORMATION

Trade debtors

Trade debtors increased significantly from approximately HK\$15.4 million as at 31 March 2012 to approximately HK\$56.0 million as at 31 March 2013 and further to HK\$73.0 million as at 31 March 2014, mainly due to the growth of our turnover for the two years ended 31 March 2013 and 2014. Trade debtors then decreased to approximately HK\$59.3 million as a result of the repayment by our customers during the three months ended 30 June 2014.

Our Directors determine specific provision for doubtful debts on a case-by-case basis having regard to a number of factors, including the ageing of the receivable balance, results of follow-up procedures, customers' credit history and customers' financial position. During the Track Record Period, we did not make any provision for doubtful debts and we did not experience any difficulty in settling our trade debtors which caused a significant adverse impact to our business operation. In the event that we notice any events or changes in circumstances which indicate the balances may not be collectible such as any financial or liquidity problem of the customers which may result in difficulty in settling the outstanding payments, relevant provision of impairment of trade debtors would be made.

Trade debtors are past due when our customers fail to make payment when due. We generally offer our customers a credit term of 0-42 days from the date of billing. The following table sets forth the turnover days of the trade debtors (calculated as the average of beginning and ending total trade debtors for the period divided by turnover for the period, multiplied by the number of days in the period) for the periods indicated:

	Year ended 31 March			Three months ended 30 June
	2012	2013	2014	2014
Trade debtors turnover days ^(Note)	<u>27.5 days</u>	<u>28.8 days</u>	<u>40.5 days</u>	<u>30.6 days</u>

Note: Average trade debtors equal the average of trade debtors at the beginning and the end of period. Average trade debtors turnover days for the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014 equal average trade debtors divided by turnover for the relevant period and multiplied by the number of days in the relevant period (i.e. 365 days for a full year and 91 days for the three months ended 30 June).

Our trade debtors turnover days increased slightly from approximately 27.5 days for the year ended 31 March 2012 to approximately 28.8 days for the year ended 31 March 2013 and further to approximately 40.5 days for the year ended 31 March 2014, all of which were within our general credit term granted to customers. The lower turnover days for the year ended 31 March 2012 and 2013 and the three months ended 30 June 2014 were mainly attributable to the relatively shorter turnover days of our largest customer, which accounted for approximately 71.4%, 77.7% and 40.2% of our total turnover for each of the two years ended 31 March 2012 and 2013 and three months ended 30 June 2014 where the trade debtors turnover days for such customer were 13.5 days, 24.5 days and 20.6 days, respectively.

FINANCIAL INFORMATION

Approximately 99.9% of the trade debtors as at 30 June 2014 were subsequently settled up to 31 October 2014.

The following table illustrates the ageing analysis of the trade debtors that are neither individually nor collectively considered to be impaired as at each reporting date:

	At 31 March			As at 30 June
	2012	2013	2014	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Neither past due nor impaired	10,920	33,684	56,632	9,781
Less than 1 month past due	4,410	22,292	16,285	46,534
1 to 3 months past due	—	7	1	2,948
Over 3 months past due	53	53	53	74
	<u>15,383</u>	<u>56,036</u>	<u>72,971</u>	<u>59,337</u>

Trade debtors of approximately HK\$10.9 million, HK\$33.7 million, HK\$56.6 million and HK\$9.8 million as at 31 March 2012, 2013 and 2014 and 30 June 2014 respectively were not yet past due, representing approximately 71.0%, 60.1%, 77.6% and 16.5% of our trade debtors respectively. As at 31 March 2012, 2013 and 2014 and 30 June 2014, trade debtors of approximately HK\$4.5 million, HK\$22.3 million, HK\$16.4 million and HK\$49.6 million were past due but not impaired, representing approximately 29.0%, 39.9%, 22.4% and 83.5% of our trade debtors respectively. These trade debtors are independent customers with no recent history of default and therefore no provision has been made. The increase of our trade debtors balances that were past due but not impaired as at 31 March 2013 over 31 March 2012 was primarily due to our turnover growth in 2013.

Retention receivables

We determine the provision for impairment of retention receivables on a project-by-project basis having regard to a number of factors, including the terms of release of retention money as agreed with customers, the ageing of the receivable balance, results of follow-up procedures, customers' credit history, customers' financial position and the current market condition. As at 31 March 2012, 2013 and 2014 and 30 June 2014, retention receivables of approximately nil, HK\$0.8 million, nil and nil respectively were individually determined to be impaired, on which we had performed follow-up measures, including re-issuing of invoice and demand letter during the collection process, which were in vain. Our Director assessed that it would be unlikely to recover the balances and therefore recognised the provision for impairment loss.

FINANCIAL INFORMATION

Retention receivables net of impairment loss amounted to approximately HK\$20.0 million, HK\$31.1 million, HK\$50.8 million and HK\$61.6 million as at 31 March 2012, 2013 and 2014 and 30 June 2014 respectively. Our Directors consider that such increase was generally consistent with our business growth during the Track Record Period.

Approximately HK\$7.0 million of the retention receivables as at 30 June 2014 was subsequently settled up to 31 October 2014. Retention money is usually withheld by customers for a period of time until the end of the defect liability period or the receipt of final account. In view of the nature of retention receivables, past payment record and our collection experience with these customers, our Directors consider that the outstanding balances of retention receivables are collectible.

Amounts due from/to related parties

The following table sets out the amounts due from/to related parties as at each reporting date:

	As at 31 March			As at 30 June
	2012	2013	2014	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts due from related parties	<u>1,381</u>	<u>3,646</u>	<u>22,488</u>	<u>22,761</u>
Amounts due to related parties	<u>32,051</u>	<u>15,278</u>	<u>14,900</u>	<u>15,016</u>

Our Group's amounts due from/to related parties mainly include trade-related balances with related parties and advances from Shareholders to finance the daily operations of our Group. Save and except the balance with Fortune Famous and HK Gold Gate incurred or to be incurred under the lease agreements with Fortune Famous and HK Gold Gate, all balances with related parties and shareholders are fully settled as at the Latest Practicable Date. Further details on the exempted continuing connected transactions on the lease of vehicles with Fortune Famous and HK Gold Gate are set out in the section "Connected Transaction — Exempt Continuing Connected Transactions".

FINANCIAL INFORMATION

Trade and other payables

Trade payables principally comprise payables to (i) the suppliers of construction materials, diesel fuel, machinery spare parts and transportation services; and (ii) subcontractors for our projects. Other payables and accruals mainly represent (i) accruals for staff salaries and allowances; and (ii) other accrued direct costs for our foundation and substructure construction projects. Our Group also has payables for acquisition of fixed assets amounted to nil as at 31 March 2012, approximately HK\$5.8 million, HK\$3.4 million and nil as at 31 March 2013 and 2014 and 30 June 2014 respectively. Our Group retained retention money from our subcontractors at an agreed rate of each interim payment made to us and up to an agreed maximum limit in some cases. The following table sets out a breakdown of our trade and other payables as at each reporting date:

	As at 31 March			As at
	2012	2013	2014	30 June 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	13,685	80,937	63,798	61,353
Retention payables	2,406	4,545	11,663	14,555
Fixed assets payables	—	5,790	3,372	—
Other payables and accruals	7,649	14,486	23,637	41,822
	<u>23,740</u>	<u>105,758</u>	<u>102,470</u>	<u>117,730</u>

Trade payables increased from approximately HK\$13.7 million as at 31 March 2012 to approximately HK\$80.9 million as at 31 March 2013, mainly due to the increase in the purchase of construction materials and the increase in subcontracting charges from undertaking larger scale projects. Trade payables decreased from approximately HK\$80.9 million as at 31 March 2013 to approximately HK\$63.8 million as at 31 March 2014 which was attributable to a settlement of significant balance due to a supplier of construction materials amounted to approximately HK\$45.0 million during the year ended 31 March 2014. A slight decrease in trade payables from approximately HK\$63.8 million as at 31 March 2014 to HK\$61.4 million as at 30 June 2014 as our Group acquired more materials from a major supplier who offered a shorter credit term.

FINANCIAL INFORMATION

The following table sets out the turnover days of trade payables (calculated as the average of beginning and ending trade payables balances for the period, divided by direct costs for the period, multiplied by the number of days in the period) for the periods indicated:

	Year ended 31 March			Three months ended
				30 June
	2012	2013	2014	2014
Trade payables turnover days ^(Note)	<u>25.6 days</u>	<u>45.0 days</u>	<u>53.1 days</u>	<u>34.1 days</u>

Note: Average trade creditors equal the average of trade creditors at the beginning and the end of the period. Average trade creditors turnover days for the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014 equal average creditors divided by direct costs for the relevant period and multiplied by the number of days in the relevant period (i.e. 365 days for a full year and 91 days for the three months ended 30 June).

Our trade payables turnover days increased from approximately 25.6 days for the year ended 31 March 2012 to approximately 45.0 days for the year ended 31 March 2013 and further to approximately 53.1 days for the year ended 31 March 2014. The turnover days decreased to approximately 34.1 days for the three months ended 30 June 2014. While our major suppliers granted us credit terms of 0-60 days, our subcontractors granted us credit terms of 0-30 days. The increase was mainly due to more subcontractors were involved and longer term for settlement as more projects of larger scale were undertaken. As a result, the trade payables turnover days increased significantly for the year ended 31 March 2014.

The following table illustrates the ageing analysis of the trade payables based on invoice date as at each reporting date:

	As at 31 March			As at
				30 June
	2012	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 1 month	7,667	27,398	39,833	31,579
1 to 3 months	3,739	17,708	16,877	15,950
3 to 6 months	—	8,614	—	8,574
Over 6 months	<u>2,279</u>	<u>27,217</u>	<u>7,088</u>	<u>5,250</u>
	<u>13,685</u>	<u>80,937</u>	<u>63,798</u>	<u>61,353</u>

Approximately 94.1% of the trade payables as at 30 June 2014 were subsequently settled up to 31 October 2014.

FINANCIAL INFORMATION

Retention payables

Retention payables represent the amounts we withheld from progress payments to our subcontractors. Such retention money is released upon the end of the defect liability period.

With the increase in number of large scale projects, we engaged more subcontractors which increased the balance of our retention payables from approximately HK\$2.4 million as at 31 March 2012 to approximately HK\$4.5 million as at 31 March 2013 and further to approximately HK\$11.7 million as at 31 March 2014. Since the defect liability period granted to us by our subcontractors generally lasts for 1 year, the retention payables in relation to the projects completed for the year ended 31 March 2014 accumulated as at 30 June 2014 amounted to approximately HK\$14.5 million. As at 31 March 2012, 2013 and 2014 and 30 June 2014, our retention payables of approximately HK\$0.6 million, HK\$2.0 million, HK\$7.8 million and HK\$10.4 million, respectively, representing approximately 23.5%, 43.9%, 66.9% and 71.8% of our retention payables, respectively, were expected to be settled after one year.

INDEBTEDNESS

The following table sets out our Group's indebtedness as at the respective financial position dates:

	As at 31 March			As at 30 June	As at 31 October
	2012	2013	2014	2014	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					<i>(unaudited)</i>
Current liabilities:					
Amounts due to shareholders	30,803	14,356	13,917	13,917	—
Bank loans and overdrafts	10,872	10,206	18,287	22,341	1,866
Obligations under finance leases	1,506	2,887	7,054	11,384	11,499
	<u>43,181</u>	<u>27,449</u>	<u>39,258</u>	<u>47,642</u>	<u>13,365</u>
Non-current liabilities:					
Obligations under finance leases	2,528	4,925	10,198	16,821	16,118
	<u>45,709</u>	<u>32,374</u>	<u>49,456</u>	<u>64,463</u>	<u>29,483</u>

The amounts due to shareholders principally represented advances from shareholders for financing the daily operations of our Group which were unsecured, interest free and had no fixed terms of repayment. As at the Latest Practicable Date, the amounts due to shareholders were fully settled.

FINANCIAL INFORMATION

Bank borrowings and finance lease liabilities

Bank loans and overdrafts

	As at 31 March			As at 30 June	As at 31 October
	2012	2013	2014	2014	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Unsecured bank overdrafts	—	—	5,923	16	—
Bank loans					
- secured	7,500	6,831	6,146	5,972	—
- unsecured	3,372	3,375	6,218	16,353	1,866
	<u>10,872</u>	<u>10,206</u>	<u>18,287</u>	<u>22,341</u>	<u>1,866</u>

(unaudited)

All bank loans and overdrafts are repayable within one year or on demand.

The bank loans and overdrafts bear interest ranging from 2.50% to 6.25%, 2.50% to 6.25%, 2.50% to 6.75% and 2.50% to 6.75% per annum as at 31 March 2012, 2013 and 2014 and 30 June 2014 respectively. As at 31 October 2014, the bank loans bear interest at 3.63% per annum.

As at 31 March 2014 and 30 June 2014, our unsecured bank overdrafts were guaranteed by the personal guarantee of Mr. Leung and Mr. Kwan. As at 31 March 2012, 2013 and 2014 and 30 June 2014, our secured bank loans were secured by a legal charge over a property held by our Group. As at 31 March 2012, 2013 and 2014 and 30 June 2014, our unsecured bank loans were either guaranteed by the personal guarantee of Mr. Leung and Mr. Kwan or the Hong Kong Government under the Special Loan Guarantee Scheme.

Personal guarantees provided by Mr. Leung and Mr. Kwan in respect of all bank loans and overdrafts will be released and replaced by a corporate guarantee provided by our Company upon Listing.

As at 31 March 2014, having considered our cash level and the duration for the borrowing, we utilised our banking facilities in the form of bank overdrafts in March 2014 for our daily operations and fully repaid such amount in July 2014. Despite the higher interest rate charged on the overdrafts, it provides greater flexibility in repayment allowing our Group to lower the aggregate amount of interest payment for these short term borrowings. As at 31 October 2014, our Group has committed banking facilities of HK\$1.9 million. Our Group has no banking facility as at 31 October 2014. Our Directors confirm that our Group has not experienced any difficulty in obtaining bank borrowing, default in payment on bank borrowings or breach of finance covenants during the Track Record Period and up to the Latest Practicable Date and that they do not foresee any difficulty for our Group in obtaining bank borrowing after the Latest Practicable Date.

FINANCIAL INFORMATION

Obligations under finance leases

During the Track Record Period, we acquired certain machinery and motor vehicles by way of finance leases arrangement mainly through banks and machinery and motor vehicle providers.

As at 31 March 2012, 2013 and 2014, 30 June 2014 and 31 October 2014, our total finance lease liabilities (including both current and non-current portions) were approximately HK\$4.0 million, HK\$7.8 million, HK\$17.3 million, HK\$28.2 million and HK\$27.6 million respectively. The carrying amount of all finance lease liabilities are denominated in HK dollars.

	As at 31 March			As at 30 June	As at 31 October
	2012	2013	2014	2014	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					<i>(unaudited)</i>
Gross finance lease liabilities — minimum lease payments					
Within 1 year	1,669	3,189	7,650	12,180	12,309
After 1 year but within 2 years	1,190	2,966	7,221	11,204	10,991
After 2 years but within 5 years	1,546	2,390	3,185	6,107	5,680
	<u>4,405</u>	<u>8,545</u>	<u>18,056</u>	<u>29,491</u>	<u>28,980</u>
Future finance charges on finance leases	(371)	(733)	(803)	(1,286)	(1,363)
	<u>4,034</u>	<u>7,812</u>	<u>17,253</u>	<u>28,205</u>	<u>27,617</u>

The present value of finance lease liabilities is as follows:

	As at 31 March			As at 30 June	As at 31 October
	2012	2013	2014	2014	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					<i>(unaudited)</i>
Within 1 year	1,506	2,887	7,055	11,384	11,499
After 1 year but within 2 years	1,094	2,609	7,080	10,808	10,584
After 2 years but within 5 years	1,434	2,316	3,118	6,013	5,534
	<u>2,528</u>	<u>4,925</u>	<u>10,198</u>	<u>16,821</u>	<u>16,118</u>
	<u>4,034</u>	<u>7,812</u>	<u>17,253</u>	<u>28,205</u>	<u>27,617</u>

FINANCIAL INFORMATION

The underlying interest rates of these obligations under finance leases ranged from 4.5% to 8.7%, 4.5% to 8.7%, 3.5% to 8.7%, 2.8% to 5.9% and 2.8% to 5.9% per annum as at 31 March 2012, 2013 and 2014, 30 June 2014 and 31 October 2014 respectively.

Our Group's obligations under finance leases were secured by the lessor's charge over the leased assets as at 31 March 2012, 2013 and 2014, 30 June 2014 and 31 October 2014. Also, as at 31 March 2012, 2013 and 2014, 30 June 2014 and 31 October 2014, obligations under finance leases of HK\$4.0 million, HK\$7.8 million, HK\$17.3 million, HK\$28.2 million and HK\$23.1 million were either guaranteed by personal guarantees of Mr. Leung and Mr. Kwan or by the Hong Kong Government under the Small and Medium Enterprises Loan Guarantee Scheme. Personal guarantees of Mr. Leung and Mr. Kwan in respect of the finance leases will be released upon Listing.

CONTRACTUAL AND CAPITAL COMMITMENTS

Our commitments relate to (i) capital commitments in relation to our purchases of fixed assets and leasehold improvement contracted but not provided for; and (ii) future minimum lease payments under non-cancellable operating leases.

Capital commitments

As at 30 June 2014, our Group had capital commitment contracted but not provided for in respect of our purchases of fixed assets of HK\$1.6 million (as at 31 October 2014: nil).

Operating lease commitments — Group as lessee

At each statement of financial position date, the total future minimum leases payments payable under non-cancellable operating leases were payable as follows:

	As at 31 March			As at	As at 31
	2012	2013	2014	30 June	October
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>				
Within 1 year	436	696	2,854	3,122	3,115
After 1 year but within 5 years	—	—	3,337	2,713	1,674
	<u>436</u>	<u>696</u>	<u>6,191</u>	<u>5,835</u>	<u>4,789</u>

As at 31 October 2014, our Group was the lessee in respect of three properties under operating leases. The leases run for an initial period of 2 to 4 years, with an option to renew the leases with all terms to be negotiated. None of the leases includes contingent rentals.

FINANCIAL INFORMATION

Contingent liabilities

We had no significant contingent liabilities as at 31 March 2012, 31 March 2013, 31 March 2014 and 30 June 2014 and 31 October 2014.

Disclaimer

Our Directors confirm that (i) our Group has not experienced any difficulty in obtaining bank borrowing, default in payment on bank borrowings or breach of finance covenants during the Track Record Period and up to the Latest Practicable Date; (ii) there has not been any material change in our indebtedness and contingent liabilities since 31 October 2014 and up to the Latest Practicable Date; (iii) our Directors are not aware of any material defaults in payment of our trade and non-trade payables and bank borrowings during the Track Record Period and up to the Latest Practicable Date; (iv) the bank loans, finance leases and bank facilities are subject to standard banking conditions; and (v) our Group has not received any notice from banks indicating that they might withdraw or downsize the bank loans or bank facilities and none of our Group's bank borrowings and facilities are subject to fulfillment of covenants relating to financial ratio requirements or any other material covenants which would adversely affect our Group's ability to undertake additional debt or equity financing.

Save as disclosed in the paragraph "Indebtedness" in this section, we did not have, at the close of business on 31 October 2014, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Save as the non-compliance with Employees' Compensation Ordinance with a maximum fine of HK\$50,000 as disclosed under the section "Business — Non-compliance", as at the Latest Practicable Date, we did not have any off-balance sheet arrangements or commitments.

FINANCIAL INFORMATION

KEY FINANCIAL RATIOS

	As at/for the year ended 31 March			As at/for the three months ended 30 June
	2012	2013	2014	2014
Current ratio ¹	0.8	1.0	1.3	1.3
Gearing ratio ²	4.0	0.6	0.4	0.6
Debt to equity ratio ³	3.2	0.5	0.4	N/A
Interest coverage ⁴	0.1	33.6	53.3	98.0
Return on assets ⁵	N/A	21.8%	19.7%	20.7% ⁸
Return on equity ⁶	N/A	79.4%	50.4%	63.0% ⁸
Net profit margin ⁷	N/A	9.8%	9.8%	9.2%

Notes:

1. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of each reporting period.
2. Gearing ratio is calculated based on debts including payables incurred not in the ordinary course of business divided by the total equity as at the end of each reporting period.
3. Debt to equity ratio is calculated by the net debt (all borrowings net of cash and cash equivalents) divided by the total equity as at the end of each reporting period.
4. Interest coverage is calculated by the profit before interest and tax divided by the interest for the respective year or period.
5. Return on assets is calculated by the total comprehensive income for the year or period divided by the total assets as at the end of each reporting period and multiplied by 100.0%.
6. Return on equity is calculated by the total comprehensive income for the year or period divided by the total equity as at the respective year or period end and multiplied by 100.0%.
7. Net profit margin is calculated by the total comprehensive income for the year or period divided by the turnover for the respective year or period and multiplied by 100.0%.
8. Three months data multiplied by 4 so as to be comparable with annual data.

Current ratio

Our current ratio was approximately 0.8, 1.0, 1.3 and 1.3 as at 31 March 2012, 2013 and 2014 and 30 June 2014 respectively. Our current ratio increased over the Track Record Period mainly due to the fact that our current liabilities did not increase as much as our current assets growth in terms of amount and percentage. The increase in our trade receivables and retention receivables under current assets was caused by the growth in our turnover as more projects were undertaken in both 2013 and 2014. Further details on our turnover growth and operating cash flows are set out in the paragraphs “Discussion of Results of Operations” and “Liquidity and Capital Resources” in this section.

FINANCIAL INFORMATION

Gearing ratio

Our gearing ratio was approximately 4.0, 0.6, 0.4 and 0.6 as at 31 March 2012, 2013 and 2014 and 30 June 2014 respectively. Our gearing ratio decreased over the Track Record Period mainly because our borrowings (including bank loans and finance lease liabilities) did not increase as much as our equity growth in terms of amount and percentage. The increase in our equity was mainly due to the increase in retained profits as a result of our net profit growth over the Track Record Period through undertaking projects of large scale. Further details on our borrowings and financial performance are set out in the paragraphs “Analysis of Various Items from the Statements of Financial Position — Bank Borrowings and Finance Lease Liabilities” and “Discussion of Results of Operations” in this section.

Debt to equity ratio

Our debt to equity ratio was 3.2, 0.5 and 0.4 as at 31 March 2012, 2013 and 2014 respectively. There is no net debt as at 30 June 2014 and thus the ratio is not applicable. The ratio decreased from 3.2 to 0.5 from 2012 to 2013 because the increase in new debt did not increase as much as our equity growth in term of amount as well as the percentage. A slightly decrease of the ratio from 2013 to 2014 was attributable to the net effect of (i) the growth in equity of our Group due to the contribution from profit and total comprehensive income during the year; and (ii) increase in the number of finance leases to acquire new machinery for the enlarged operating scale of our Group in the year ended 31 March 2014, leading to an increase in debt level. Further details on our borrowings and financial performance are set out in the paragraphs “Analysis of Various Items from the Statements of Financial Position — Bank Borrowings and Finance Lease Liabilities” and “Discussion of Results of Operations” in this section.

Interest coverage

Our interest coverage was approximately 0.1, 33.6, 53.3 and 98.0 as at 31 March 2012, 2013 and 2014 and 30 June 2014 respectively. Our interest coverage increased over the Track Record Period mainly because our operating profit increased significantly as a result of the continuing business growth leading to the increase in our turnover. Further details on our financial performance are set out in the paragraph “Discussion of Results of Operations” in this section.

Return on assets

Our return on assets was approximately 21.8%, 19.7% and 20.7% for the years ended 31 March 2013 and 2014 and for the three months ended 30 June 2014 respectively. We recorded a net loss for the year ended 31 March 2012 and thus the computation of return on assets is not applicable. A slight decrease is recorded for the year ended 31 March 2014 comparing to the year ended 31 March 2013

FINANCIAL INFORMATION

because the increase in return is not as much as the increase in assets as we purchased more machinery to cater for larger scale projects and more trade receivables and retention receivables were recorded as at 31 March 2014 which was in line with our turnover growth. Further details on our financial performance are set out in the paragraph “Discussion of Results of Operations” in this section.

Return on equity

Our return on equity was approximately 79.4%, 50.4% and 63.0% for the years ended 31 March 2013 and 2014 and for the three months ended 30 June 2014 respectively. We recorded a net loss for the year ended 31 March 2012 and thus the computation of return on equity is not applicable. A decrease is recorded for the year ended 31 March 2014 comparing to year ended 31 March 2013 because the increase in return is not as much as the increase in equity in terms of percentage. Further details on our financial performance are set out in the paragraph “Discussion of Results of Operations” in this section.

Net profit margin

Our net profit margin was approximately 9.8%, 9.8% and 9.2% for the two years ended 31 March 2013 and 2014 and for the three months ended 30 June 2014 respectively. We recorded a net loss for the year ended 31 March 2012 and thus the computation of net profit margin is not applicable. Our net profit margin remained stable. Further details on our financial performance are set out in the paragraph “Discussion of Results of Operations” in the section.

RELATED PARTY TRANSACTIONS

Transactions with Chi Fu

Each of Mr. Leung and Mr. Kwan owned 15% of Chi Fu, a company which is registered as Registered General Building Contractor under the Buildings Ordinance, prior to 5 June 2013 and subsequently increased their shareholdings to 55% and 45% respectively. Mr. Leung and Mr. Kwan, being executive Directors and Controlling Shareholders of our Company, are connected persons under the Listing Rules.

Set out below are the details on the transactions and transaction amount with Chi Fu during the Track Record Period:

Transaction item	Details
Subcontracting income received	For the provision of our foundation and substructure construction services to Chi Fu
Subcontracting charges paid	For subcontracting services provided by Chi Fu on our foundation and substructure construction services
Rental income received	Rental income from the lease of machinery to Chi Fu
Purchase of machinery	Purchase of machinery used for our foundation and substructure construction business
Sales of motor vehicle	Disposed of a motor vehicle to Chi Fu

FINANCIAL INFORMATION

	For the year ended 31 March			For the three months ended 30 June	
	2012	2013	2014	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(unaudited)</i>	
Subcontracting income received from Chi Fu	3,414	5,637	17,088	4,967	—
Rental income received from Chi Fu	792	1,296	—	—	—
Subcontracting charges paid to Chi Fu	671	51	201	73	—
Purchase of machinery from Chi Fu	—	—	200	200	—
Sales of motor vehicle to Chi Fu	—	—	130	130	—

As at 30 June 2014, there was an outstanding balance of approximately HK\$7.6 million due from Chi Fu which was settled as at the Latest Practicable Date. Since 1 April 2014, all the aforementioned transactions with Chi Fu have been discontinued or completed. On 7 July 2014, Mr. Leung and Mr. Kwan disposed of their interests in Chi Fu to two individuals, who are independent third parties, and no further transaction aforementioned has been carried out with Chi Fu thereafter.

Disposal of investment properties

The investment properties of our Group during the Track Record Period consist of (i) a residential property; and (ii) a parking space. The residential property was rented to a third party and rental income earned for the three years ended 31 March 2012, 2013 and 2014 was approximately nil, HK\$399,000 and HK\$456,000, respectively.

Sets out below are the details of the investment properties:

	Address	Particulars of occupancy	Cost as at 31 March 2014 <i>(HK\$'000)</i>
Residential property	27th Floor of Tower 10, The Palazzo, No.28 Lok King Street, Sha Tin, New Territories	Tenanted with monthly rent of HK\$38,000 for a term expiring on 14 May 2016	15,699
Parking space	Residential Car Parking Space No. R209 on First Floor, The Palazzo, No.28 Lok King Street, Sha Tin, New Territories	Vacant	1,739

FINANCIAL INFORMATION

Parking Space

On 27 June 2014, CS Machinery entered into a sales and purchase agreement with Mr. Leung Chun Sing and Ms. Leung Pui Lam, being the children of Mr. Leung, in relation to the disposal of the parking space.

Mr. Leung Chun Sing and Ms. Leung Pui Lam are the close associates of Mr. Leung and are connected persons under the Listing Rules.

The total consideration for the disposal of the parking space was HK\$1.7 million, which was based on the valuation assessment by an independent valuer.

Residential Property

On 7 July 2014, CS Machinery entered into a sales and purchase agreement with Mr. Leung and Mr. Kwan in relation to the disposal of a residential property.

Mr. Leung and Mr. Kwan, being executive Directors and Controlling Shareholders of our Company, are connected persons under the Listing Rules.

The total consideration for the disposal of the residential property was HK\$15.0 million, which was based on the valuation assessment by an independent valuer.

Lease of a property as Director's quarter

During the Track Record Period, we leased a residential property located at Flat G, 17/F, Block 12, South Horizons, Ap Lei Chau, Hong Kong from Able Joy Limited, a company wholly-owned by the spouse of Mr. Kwan as our director's quarter.

The total rental expenses paid to Able Joy Limited for the rental of property amounted to HK\$336,000, HK\$360,000, HK\$360,000, HK\$90,000 and HK\$30,000 for the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2013 and 2014 respectively.

The lease was terminated with effect from 1 May 2014.

Recharge of office rent, rates and management fee

During the Track Record Period, Chun Sing Civil Engineering Company Limited ("CS Civil") entered into a rental agreement with a third party for the previous office premises located at 26th Floor, Pilkem Commercial Centre, 8 Pilkem Street, Jordon, Kowloon, Hong Kong as the office premises used by our Group and the office rent, rates and management fee were recharged to our Group. For the three years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2013 and 2014, the amount recharged to our Group amounted to HK\$662,610, HK\$697,029, HK\$717,342, HK\$179,336 and HK\$67,900 respectively.

FINANCIAL INFORMATION

Mr. Leung and Mr. Kwan respectively own 55% and 45% of CS Civil. Being an executive Directors and Controlling Shareholder of our Company, Mr. Leung and Mr. Kwan are connected persons under the Listing Rules. Details of CS Civil are set out in the section “Relationship with the Controlling Shareholders — Controlling Shareholders of our Company”.

Subsequently, our Group moved to the current office premises in April 2014 in which the rental agreement was signed directly by our Group. For details on the current office premises, please refer to section “Business — Properties”.

FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial risk management and sensitivity analysis

Our activities exposed us to a variety of financial risks, including credit, liquidity and interest rate risks.

Our Group’s exposure to these risks and the financial risk management policies and practices used by our Group to manage these risks are described below.

Credit risk

Our Group’s credit risk is primarily attributable to bank deposits and trade and other receivables. Our Group has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Cash is deposited with financial institutions with sound credit ratings and our Group has exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions and counterparties will fail to meet their obligations.

In respect of trade and other receivables, individual credit evaluations are performed as part of the acceptance procedures for new construction contracts. These evaluations focus on the customer’s track records of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. During the Track Record Period, our trade receivables were due within 0-42 days from the date of billing. Normally, our Group does not obtain collateral from customers.

At the end of the reporting period, our Group has significant concentration of credit risk in a few customers. In view of their credit standing, good payment records and long established relationships with our Group, our executive Directors does not consider our Group’s credit risk to be significant. At 31 March 2012, 2013 and 2014 and 30 June 2014, 65.7%, 66.5%, 47.0% and 44.4% of the total trade debtors was due from our Group’s largest customer respectively and 98.6%, 99.9%, 100.0% and 100.0% of the total trade debtors was due from our five largest customers respectively.

FINANCIAL INFORMATION

Liquidity risk

Individual subsidiaries within our Group are responsible for their own cash management, including the raising of loans to cover the expected cash demands. Our Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed funding lines from major financial institutions to meet its liquidity requirements in the short and longer term.

Our Directors believe that our Group has sufficient resources to meet our debt obligations and working capital needs.

Interest rate risk

Our Group's interest rate risk arises primarily from bank borrowings. Borrowings issued at variable rates expose our Group to cash flow interest rate risk. Our Group normally borrows short-term bank loans which have short-term maturity within one year in order to limit its exposure to interest rate risk.

At 31 March 2012, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased our Group's loss after taxation and decreased/increased the total equity by approximately HK\$91,000 in response to the general increase/decrease in interest rates.

At 31 March 2013 and 2014 and 30 June 2014, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased our Group's profit after taxation and total equity by approximately HK\$85,000, HK\$153,000 and HK\$187,000, respectively, in response to the general increase/decrease in interest rates.

Capital management

Our Group's primary objectives when managing capital are to safeguard our Group's ability to continue as a going concern in order to fund its construction business and provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Our Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither our Company nor any of our subsidiaries are subject to any externally imposed capital requirements.

FINANCIAL INFORMATION

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets of our Group is prepared on the basis of the notes set forth below, for the purpose of illustrating the effect of the Share Offer as if it had taken place on 30 June 2014. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true picture of the financial position of our Group after the Share Offer or at any future dates.

	Combined net tangible assets attributable to equity shareholders of our Company as at 30 June 2014 <i>(Note 1)</i> <i>HK\$'000</i>	Estimated net proceeds from the Share Offer <i>(Note 2)</i> <i>HK\$'000</i>	Unaudited pro forma adjusted net tangible assets <i>(Note 3)</i> <i>HK\$'000</i>	Unaudited pro forma adjusted net tangible assets per Share <i>(Note 4)</i> <i>HK\$</i>
Based on an Offer Price of HK\$0.60 per Offer Share	<u>114,808</u>	<u>68,524</u>	<u>183,332</u>	<u>0.18</u>

Notes:

1. The combined net tangible assets of our Group as at 30 June 2014 is compiled based on the combined net assets included in the Accountants' Report as set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Share Offer are based on 128,750,000 New Shares at the Offer Price of HK\$0.60 per Offer Share, after deduction of the underwriting fees and other listing-related expenses of HK\$8.8 million payable by our Group (taking into account the effect of listing-related expenses of approximately HK\$2.7 million that have been accounted for prior to 30 June 2014, listing-related expenses of approximately HK\$4.0 million borne by the Selling Shareholder for the sale of Sale Shares and approximately HK\$7.5 million that the Selling Shareholder has agreed to reimburse in its capacity as Shareholder).
3. No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to 30 June 2014, in particular, the unaudited pro forma adjusted net tangible asset value per Share has not been adjusted for the effect of dividends of HK\$60.0 million declared and paid by our Group subsequent to 30 June 2014. Had the dividends been taken into account, the unaudited pro forma adjusted net tangible asset value per Share would have been reduced to HK\$0.12 per Share based on the Offer Price of HK\$0.60 per Share.
4. The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,030,000,000 Shares were in issue immediately following the completion of the Share Offer. It does not take into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandate on issue Shares and Repurchase Mandate.

FINANCIAL INFORMATION

LISTING EXPENSES

Our Directors estimate that the total amount of expenses in relation to the Listing is approximately HK\$23.0 million, which will be borne by the Selling Shareholder and us in equal share, each bearing approximately HK\$11.5 million. The portion of listing expenses borne by the Selling Shareholder in connection with the Sale Shares of approximately HK\$4.0 million will be set-off against the listing expenses of our Company. The portion of listing expenses of approximately HK\$7.5 million reimbursed by the Selling Shareholder in its capacity of a Shareholder will be accounted for as capital contribution to our Company.

Of the aggregate listing expenses of HK\$23.0 million, approximately HK\$4.0 million directly attributable to the issue of New Shares will be accounted for as a deduction from equity upon Listing. Of the remaining HK\$19.0 million, approximately HK\$4.0 million will be borne by the Selling Shareholder as stated above and approximately HK\$15.0 million will be charged to our profit or loss. Listing expenses of approximately HK\$2.7 million were charged to the profit or loss for the three months ended 30 June 2014 and an additional amount of approximately HK\$12.3 million will be charged to the profit or loss for the year ending 31 March 2015. Expenses in relation to the Listing are non-recurring in nature. The Board wishes to inform our Shareholders and potential investors that our Group's financial performance and results of operations for the year ending 31 March 2015 will be significantly affected by the estimated expenses in relation to the Listing.

DIVIDEND POLICY

Our Group did not declare any dividend for the three years ended 31 March 2012, 2013 and 2014. During the three months ended 30 June 2014 and subsequent to 30 June 2014, CS Engineering declared dividends of HK\$16.0 million and HK\$60.0 million respectively, to Mr. Leung and Mr. Kwan, the then shareholders, as at the Latest Practicable Date. The declared dividends of HK\$56.0 million were paid from our internal resources and the remaining declared dividend of HK\$20.0 million is expected to be paid from our internal resources prior to Listing. The declaration and payment of future dividends will be subject to the decision of the Board having regard to various factors, including but not limited to our results of operations and financial performance, profitability, business development, prospects, capital requirements, and economic outlook. It is also subject to the approval of our Shareholders as well as any applicable laws. The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payout ratio.

DISTRIBUTABLE RESERVE

Our Company was incorporated on 15 July 2014. As at 30 June 2014, our Company had no reserves available for distribution to our Shareholders.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as of the Latest Practicable Date, there were no circumstances which, had they been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please refer to the section “Business — Business Strategies” for detailed description of our future plans.

USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Share Offer, after deducting related underwriting fees and estimated expenses in connection with the Share Offer at the Offer Price of HK\$0.60 per Share will be approximately HK\$65.8 million. Our Directors presently intend to apply such net proceeds as follows:

- approximately HK\$40.0 million or approximately 60.8% of the net proceeds for the acquisition of additional machinery for foundation and substructure construction in the next 2 years to cater for different needs and requirements of projects and our business growth. There were 13 construction projects in our backlog as at the Latest Practicable Date and 6 of which are large scale projects with contract sum of over HK\$100 million. In order to cope with such business growth, we expect to use the allocated proceeds mainly for the purchases of 6 excavators, 2 crawler cranes, 2 hydraulic rock breakers and 3 hydraulic crawler drillers. The purchases will be fully financed by the allocated proceeds;
- approximately HK\$9.5 million or approximately 14.4% of the net proceeds for the recruitment of additional staff, including project management and execution team and plant operators for the next 2 years to cater for our business growth;
- approximately HK\$10.0 million or approximately 15.2% of the net proceeds will be used to repay part of our finance leases incurred in 2014 which will become mature in five years from the date of occurrence with interest rate ranging from approximately 2.8% to 5.9% per annum, which were incurred to fund our purchase of fixed assets; and
- approximately HK\$6.3 million or approximately 9.6% of the net proceeds will be used as general working capital of our Group.

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

We estimate that the Selling Shareholder will receive net proceeds of approximately HK\$65.8 million at the Offer Price of HK\$0.60 per Share after deduction of underwriting fees and commissions and estimated expenses payable by the Selling Shareholder in relation to the Share Offer. We will not receive any of the net proceeds of the Share Offer from the sale of Sale Shares by the Selling Shareholder.

UNDERWRITING

PUBLIC OFFER UNDERWRITER

Orient Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

The Public Offer Underwriting Agreement was entered into on 12 December 2014 between our Company, our executive Directors, our Controlling Shareholders, the Sponsor, the Bookrunner, the Lead Manager and the Public Offer Underwriter. Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to offer the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriter has agreed to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares now being offered which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The obligations of the Public Offer Underwriter to subscribe or procure subscribers for the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination if certain events, including force majeure, shall occur at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. The Bookrunner has the right, in its sole and absolute discretion, to terminate the obligations of the Public Offer Underwriter under the Public Offer Underwriting Agreement by giving notice in writing to our Company, if it sees fit upon the occurrence of any of the following events:

- (a) there has come to the notice of the Bookrunner:
 - (i) any material breach of any of the warranties, obligations or undertakings imposed upon any party (other than the Sponsor, the Bookrunner, the Lead Manager or any of the Underwriter) to any of the Underwriting Agreements; or
 - (ii) any statement contained in this prospectus, the Application Forms, any supplemental offering materials, announcement, the formal notice to be published in connection with the Public Offer, the roadshow materials and any other documents published or issued by or on behalf of our Company, or the Placing Underwriter for the purposes of or in connection with the Share Offer (“**Offer Documents**”) considered by the

UNDERWRITING

Bookrunner in its sole and absolute opinion to be material in the context of the Share Offer, was or has become or been discovered to be untrue, incorrect or misleading in any material respect, or that any forecast, expression of opinion, intention or expectation expressed in any Offer Documents is not, in the sole and absolute opinion of the Bookrunner, fair and honest and based on reasonable assumptions, when taken as a whole; or

- (iii) any person (other than the Sponsor and the Bookrunner) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents or to the issue of any of the Offer Documents; or
- (iv) our Company withdraws any of the Offer Documents (or any document, other documents used in connection with the contemplated subscription and sale of Offer Shares) or the Share Offer; or
- (v) any event, act or omission which gives or is likely to give rise to any liability of the warranties given by our Company, our executive Directors or our Controlling Shareholders under the Public Offer Underwriting Agreement is untrue, inaccurate or misleading in any material respect or which gives or is likely to give rise to any material liability of our Company, our executive Directors or our Controlling Shareholders under the Public Offer Underwriting Agreement pursuant to the indemnity provisions therein; or
- (vi) any change or development involving a prospective change in the business, assets, liabilities, conditions, business affairs, prospects, profits, losses or the financial or trading position or performance or management of our Group considered by the Bookrunner in its sole and absolute opinion to be material in the context of the Share Offer; or
- (vii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom and such omission which is considered by the Bookrunner in its sole and absolute opinion to be material in the context of the Share Offer; or
- (viii) approval by the Listing Committee of the listing of, and permission to deal in, our Shares (including any additional Shares that may be issued upon the exercise of the Share Option Scheme) is refused or not granted (other than subject to customary conditions) or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (ix) a petition or an order is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the

UNDERWRITING

winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group.

- (b) there shall develop, occur, exist or come into effect:
- (i) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change, in local, national, regional, international, financial, political, economic, legal, military, industrial, fiscal, regulatory, currency, or market conditions (including, without limitation, any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange or a material fluctuation in the exchange rate of the Hong Kong dollar against any foreign currency, or any interruption in monetary or trading or securities settlement or clearance services or procedures or matters) in or affecting Hong Kong or anywhere in the world; or
 - (ii) any new law or regulation or any change or development involving a prospective change in any existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting any of Hong Kong, the Cayman Islands, the BVI or any other jurisdictions relevant to any member of our Group or the Share Offer (the “**Relevant Jurisdictions**”); or
 - (iii) any event, or series of events, beyond the reasonable control of the Underwriter (including, without limitation, acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a national or international emergency, riot, public disorder, large-scale protest, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, avian influenza A (H5N1), Swine Flu (H1N1) or such related or mutated forms) or interruption or delay in transportation) in or affecting any of the Relevant Jurisdictions; or
 - (iv) (A) any suspension or limitation on trading in shares or securities generally on the Stock Exchange or (B) any general moratorium on commercial banking activities in any of the Relevant Jurisdictions, declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services, in the case of either (A) or (B), in or affecting any of the Relevant Jurisdictions; or

UNDERWRITING

- (v) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for the United States or any of the Relevant Jurisdictions; or
- (vi) a change or development occurs involving a prospective change in taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment laws in any of the Relevant Jurisdictions or affecting an investment in our Shares; or
- (vii) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section “Risk Factors”; or
- (viii) the chairman or chief executive officer of our Company vacating his office; or
- (ix) the commencement by any governmental, regulatory or political body or organisation of any action against a Director in his or her capacity as such or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action; or
- (x) a prohibition on our Company or the Selling Shareholder for whatever reason from allotting or selling the Offer Shares pursuant to the terms of the Share Offer; or
- (xi) non-compliance with this prospectus (and/or any other documents used in connection with the subscription and purchase of the Offer Shares) or any aspect of the Share Offer with the Listing Rules or any other laws applicable to the Share Offer; or
- (xii) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (xiii) save for those litigations and claims as disclosed in this prospectus, any material litigation or claim being threatened or instigated against any member of our Group; or
- (xiv) any of our Directors as set out in the section “Directors and Senior Management” being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company or the commencement by any governmental, political or regulatory body of any action against any of the said Directors in his capacity as such or an announcement by any governmental, political or regulatory body that it intends to take any such action; or

UNDERWRITING

- (xv) any contravention by any Controlling Shareholders, any member of our Group or any Director of the Companies (Winding up and Miscellaneous Provisions) Ordinance, the SFO or any of the Listing Rules; or
- (xvi) the issue or requirement to issue by our Company of a supplement or amendment to this prospectus and/or any other documents pursuant to the Companies (Winding up and Miscellaneous Provisions) Ordinance or the Listing Rules,

which in each case or in aggregate in the sole and absolute opinion of the Bookrunner:

- (a) is or will or could be expected to have a material adverse effect on the general affairs, management, business, financial, trading or other condition or prospects or risks of our Company or our Group or any member of our Group or on any present or prospective shareholder in his, her or its capacity as such; or
- (b) has or will have or could be expected to have a material adverse effect on the success or marketability of the Share Offer or the level of applications under the Public Offer or the level of interest under the Placing; or
- (c) makes it or may make it impracticable, inadvisable or inexpedient to proceed with or to market the Public Offer and/or the Share Offer or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus, the Application Forms or the formal notice or shall otherwise result in an interruption to or delay thereof; or
- (d) has or will have the effect of making any part of the Underwriting Agreements incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof.

UNDERWRITING

Undertakings pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that, except pursuant to the Share Offer and the Share Option Scheme, 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 securities will be completed within six months from the Listing Date), except for the circumstances as permitted by Rule 10.08(1) to (5) of the Listing Rules.

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company respectively that, except pursuant to the Share Offer as described and contained in this prospectus, it/he shall not and shall procure that the relevant registered shareholder(s) shall not:

- (a) in the period commencing on the date by reference to which disclosure of its/his shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares in respect of which it/he is shown by this prospectus to be the beneficial owners; or
- (b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he would cease to be a controlling shareholder (as defined in 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 also undertaken to the Stock Exchange and our Company respectively that, within the period commencing on the date by reference to which disclosure of its/his shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it/he will:

- (a) when it/he pledges or charges any Shares beneficially owned by it/him in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform us in writing of such pledge or charge together with the number of Shares so pledged or charged; and

UNDERWRITING

- (b) when it/he receive indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform us of such indications.

Our Company shall inform the Stock Exchange as soon as it has been informed of matters referred to above by our Controlling Shareholder(s) and disclose such matters by way of an announcement as soon as possible.

Undertakings pursuant to the Public Offer Underwriting Agreement

Undertakings by our Company

Except for the issue of Shares pursuant to the Share Offer, the options which may be granted under the Share Option Scheme or as otherwise with the prior written consent of the Bookrunner and unless in compliance with the requirements of the Listing Rules, at any time after the date of the Public Offer Underwriting Agreement up to and including the date falling six months after the Listing Date (the “**First Six-Month Period**”), we have, pursuant to the Public Offer Underwriting Agreement, undertaken to the Bookrunner that:

- (a) our Company will not, and will procure that our subsidiaries will not, 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 options, warrants or other rights to purchase or subscribe for, make any share sale, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase, any of its share capital, debt capital or any securities of our Company or any of our subsidiaries or any interest therein (including but not limited to any warrants and securities convertible into or exercisable or exchangeable for or that represent the right to receive, or any warrants or other rights to purchase, any such share capital or securities or interest therein, as applicable);
- (b) our Company will not, and will procure that our subsidiaries will not, 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;
- (c) our Company will not, and will procure that our subsidiaries will not, enter into any transaction with the same economic effect as any transaction described in paragraph (a) or (b) above; or
- (d) our Company will not, and will procure that our subsidiaries will not, 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 described in paragraph (a), (b) or (c) above is to be settled by delivery of share capital or such other securities, in cash or otherwise; and

UNDERWRITING

- (e) our Company will ensure that if any of the transactions in paragraph (a), (b) or (c) above is entered into or agreed to be entered into during the period of six months immediately following the expiry of the First Six-Month Period (the “**Second Six-Month Period**”), it will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company.

Our executive Directors and our Controlling Shareholders have undertaken to the Sponsor and the Bookrunner to procure our Company to comply with the above undertakings.

Undertakings by our Controlling Shareholders

Pursuant to the Public Offer Underwriting Agreement, each of our Controlling Shareholders has undertaken jointly and severally to each of the Sponsor, the Bookrunner, our Company and the Public Offer Underwriter that:

- (i) at any time during the First Six-Month Period, he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates and companies controlled by him/it and any nominee or trustee holding in trust for him/it shall not, without the prior written consent of the Bookrunner and unless for the offer of the Sale Shares or pursuant to the Share Option Scheme or otherwise in compliance with the Listing Rules, (a) 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 share sale, lend or otherwise transfer or dispose of, either directly or indirectly, 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 (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the share capital, debt capital or other securities of our Company or any interest therein; (c) enter or agree to enter into, conditionally or unconditionally, or effect any of the transaction with the same economic effect as any transaction referred to in (a) or (b) above; or (d) agree, or contract to, or publicly announce any intention to enter into or effect any of the transaction referred to in (a), (b) or (c) above;

whether any of the foregoing transactions described in paragraph (a), (b) or (c) 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; and

- (ii) at any time before the expiring of the Second Six-Month Period, he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates or companies controlled by him/it and any nominee or trustee holding in trust for him/it shall not, without the prior written consent of the Bookrunner and unless pursuant to the Share Option Scheme or otherwise in compliance with the Listing Rules, enter into any of the foregoing transactions in paragraph (i) above or agree or contract to or publicly announce any intention to enter into any such transaction if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a controlling shareholder of our Company or would together with the other Controlling Shareholders cease to be, or regarded as, controlling shareholders of our Company;

UNDERWRITING

- (iii) at any time before the expiry of the Second Six-Month Period, in the event that he/it enters into any transaction referred to in paragraph (i) above or agrees or contracts to or publicly announces an intention to enter into such transactions, he/it shall take all reasonable steps to ensure that such action shall not create a disorderly or false market for any Shares or other securities of our Company; and

- (iv) he/it shall, and shall procure that its associates and companies controlled by him/it and nominees or trustees holding in trust for him/it shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by him/it or by the registered holder controlled by him/it of any Shares.

Each of our Controlling Shareholders has further undertaken jointly and severally to each of the Sponsor, Bookrunner and our Company, during the first twelve months from the Listing Date, he/it will:

- (i) when he/it pledges or charges any Shares or other securities or interests in the securities of our Company in respect of which he/it is the beneficial owner, immediately inform our Company, the Sponsor, the Bookrunner and the Lead Manager in writing of such pledges or charges together with the number of Shares or other securities of our Company and nature of interest so pledged or charged; and

- (ii) when he/it receives any indication, whether verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company, the Sponsor, the Bookrunner and the Lead Manager in writing of such indications.

We will 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 a press announcement in accordance with Rule 2.07C of the Listing Rules.

The Placing

Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company will enter into the Placing Underwriting Agreement with, inter alia, the Placing Underwriter, on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement and on the additional terms described below. Under the Placing Underwriting Agreement, the Placing Underwriter will agree to subscribe or purchase or procure subscribers or purchasers for the Placing Shares being offered pursuant to the Placing. The Placing Underwriting Agreement is expected to provide that it may be terminated on grounds similar to those provided in the Public Offer Underwriting Agreement. Potential investors are reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed.

UNDERWRITING

It is expected that, pursuant to the Placing Underwriting Agreement, our Company, our executive Directors and our Controlling Shareholders will give undertakings similar to those given pursuant to the Public Offer Underwriting Agreement, as described in the paragraph “Underwriting Arrangements and Expenses — Undertaking — Undertakings Pursuant to the Public Offer Underwriting Agreement” in this section.

It is expected that each of our Controlling Shareholders will undertake to the Placing Underwriter not to dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interest or encumbrances in respect of any of our Shares held by them in our Company for a period similar to that given by them pursuant to the Public Offer Underwriting Agreement as described in the paragraph “Underwriting Arrangements and Expenses — Undertakings — Undertakings Pursuant to the Public Offer Underwriting Agreement” in this section.

Underwriting Commission and Expenses

According to the Public Offer Underwriting Agreement, the Public Offer Underwriter will receive an underwriting commission of 2.5% of the aggregate Offer Price payable for the Public Offer Shares initially offered under the Public Offer, out of which they will pay any sub-underwriting commissions and selling concessions. The Placing Underwriter is expected to receive similar underwriting commission on the aggregate Offer Price payable for the Placing Shares subject to the terms and conditions of the Placing Underwriting Agreement.

Based on the Offer Price of HK\$0.60 per Offer Share, such underwriting commissions, together with the Stock Exchange listing fee, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing, and other expenses relating to the Share Offer which are estimated to be approximately HK\$23.0 million in aggregate. The listing expenses will be equally borne by the Selling Shareholder and us and approximately HK\$11.5 million will be payable by our Company.

UNDERWRITER’S INTERESTS IN OUR COMPANY

The Bookrunner and the Underwriter will receive underwriting commissions pursuant to the Underwriting Agreements. Particulars of the said underwriting commissions and expenses relating to the Share Offer are set forth in the paragraph “Underwriting Arrangements and Expenses — Underwriting Commission and Expenses” in this section. Following the completion of the Share Offer, the Underwriters and their affiliated companies may hold a certain portion of our Shares as a result of fulfilling their obligations under the Underwriting Agreements.

UNDERWRITING

Save as disclosed in this prospectus and other that pursuant to the Share Offer and the Underwriting Agreements, none of the Bookrunner and the Underwriter is, or is expected to be, interested legally or beneficially in the Shares or shares and other securities of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for any Shares or purchase shares and other securities in any member of our Group nor any interest in the Share Offer.

SPONSOR'S INDEPENDENCE

The Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

MINIMUM PUBLIC FLOAT

Our Directors and the Bookrunner will ensure that there will be minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules immediately after completion of the Share Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

This prospectus is published in connection with the Public Offer as part of the Share Offer. Messis Capital is the Sponsor and Orient Securities Limited is the Bookrunner and Lead Manager.

The Share Offer consists of:

- the Public Offer of 25,750,000 New Shares (subject to reallocation as mentioned below) in Hong Kong as described in the paragraph “The Public Offer” in this section; and
- the Placing of 231,750,000 Shares comprising 103,000,000 New Shares and 128,750,000 Sale Shares (subject to reallocation as mentioned below) to be offered to professional, institutional and other investors as described in the paragraph “The Placing” in this section.

The Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Bookrunner. The reallocation mechanism is set out in the paragraph “The Public Offer — Reallocation” in this section.

Investors may apply for the Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the Placing, but may not do both. The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and other investors in Hong Kong. Completion of the Public Offer is subject to the conditions set out in the paragraph “Conditions of the Public Offer” in this section.

The Placing will involve selective marketing of the Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The Placing Underwriter is soliciting from prospective investors indications of interest in acquiring the Offer Shares in the Placing. Prospective investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or about 24 December 2014.

PRICING

Offer Price

The Offer Price is HK\$0.60 per Offer Share.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Price payable on application

Applicants under the Public Offer must pay, on application, the Offer Price of HK\$0.60 per Public Offer Share plus 1% brokerage fee, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee, amounting to a total of HK\$3,030.23 for one board lot of 5,000 Shares. Each Application Form includes a table showing the exact amount payable on certain numbers of Offer Shares.

Reduction in Offer Price and/or number of Offer Shares

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Bookrunner considers it appropriate and together with our consent, the number of Offer Shares under the Share Offer and/or the Offer Price may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer.

In such case, our Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause to be published in South China Morning Post (in English), Hong Kong Economic Times (in Chinese), on the Stock Exchange's website at www.hkexnews.hk, and on our Company's website at www.cseng.com.hk, notice of reduction in the Offer Price and/or the number of Offer Shares. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section "Summary" and any other financial information which may change as a result of such reduction.

Before submitting applications for the Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price may not be made until the day which is the last day for lodging applications under the Public Offer. Applicants under the Public Offer should note that in no circumstances can applications be withdrawn once submitted, even if the Offer Price and/or number of Offer Shares is so reduced.

If the number of Offer Shares and/or the Offer Price is so reduced, applicants who have already submitted an application may or may not (depending on the information contained in the announcement) be notified that they are required to confirm their applications. All applicants who have already submitted an application need to confirm their applications in accordance with the procedures set out in the announcement and all unconfirmed applications will not be valid.

Announcement of basis of allocations

The level of applications in the Public Offer, the results of applications, the basis of allocations of the Public Offer Shares under the Public Offer and the level of indications of interest in the Placing are expected to be announced on 24 December 2014 through a variety of channels as described in the section "How to Apply for Public Offer Shares — Publication of Results".

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

CONDITIONS OF THE PUBLIC OFFER

Acceptance of all applications for the Offer Shares pursuant to the Public Offer will be conditional upon, among other things:

- the Listing Committee granting of the approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including any Shares which may fall to be issued upon the exercise of the options which may be granted under the Share Option Scheme) not later than the 30th day after the date of this prospectus (or such later date as our Company and the Bookrunner may agree in writing) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- the execution and delivery of the Placing Underwriting Agreement on or around 19 December 2014 (or such later date as our Company and the Bookrunner may agree in writing); and
- the obligations of the Underwriter under the Placing Underwriting Agreement and the Public Offer Underwriting Agreement having become, and continued to be, unconditional and not having been terminated in accordance with their respective terms,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not later than the 30th day after the date of this prospectus.

If the above conditions are not fulfilled or waived, prior to the dates and times specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will cause to be published by us in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section “How to Apply for Public Offer Shares — Refund of Application Monies”. In the meantime, the application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

The consummation of each of the Public Offer Underwriting Agreement and the Placing Underwriting Agreement is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

Share certificates for the Offer Shares are expected to be issued on 24 December 2014 but will only become valid certificates of title at 8:00 a.m. on the date of commencement of dealings in our Shares, provided that (i) the Share Offer has become unconditional in all respects; and (ii) the right of termination as described in the section “Underwriting — Underwriting Arrangements and Expenses — Public Offer — Grounds for Termination” has not been exercised. Investors who trade Shares prior to the receipt of share certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE PUBLIC OFFER

Number of Public Offer Shares initially offered

Our Company is initially offering 25,750,000 New Shares at the Offer Price under the Public Offer, representing 10% of the 257,500,000 Offer Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to any reallocation of Offer Shares between the Public Offer and the Placing, the number of Shares offered under the Public Offer will represent 2.5% of the total issued share capital of our Company immediately after completion of the Share Offer.

Allocation

For allocation purposes only, the Public Offer Shares initially being offered for subscription under the Public Offer (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. Pool A will comprise 12,875,000 Public Offer Shares and Pool B will comprise 12,875,000 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.

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 12,875,000 Public Offer Shares (being 50% of the initial number of Public Offer Shares).

Allocation of the Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Reallocation

The allocation of the Shares between the Public Offer and the Placing is subject to adjustment. If the number of Shares validly applied for in the Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Public Offer Shares initially available under the Public Offer, the total number of Public Offer Shares available under the Public Offer will be increased to 77,250,000, 103,000,000 and 128,750,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Shares initially available under the Share Offer. In such cases, the number of Offer Shares allocated in the Placing will be correspondingly reduced, in such manner as the Bookrunner deems appropriate and such additional Shares will be allocated to Pool A and Pool B equally.

If the Public Offer Shares are not fully subscribed, the Bookrunner has the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Bookrunner deems appropriate. In addition, the Bookrunner may reallocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer.

In addition, the Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Bookrunner.

Applications

The Bookrunner may require any investor who has been offered Shares under the Placing, and who has made an application under the Public Offer to provide sufficient information to the Bookrunner so as to allow it to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application for Shares under the Public Offer.

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him that he and any person for whose benefit he is making 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, and such applicant's application is liable to be rejected if the said undertaking or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated Placing Shares under the Placing.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Public Offer.

THE PLACING

Number of Placing Shares initially offered

The number of Placing Shares to be initially offered for subscription under the Placing will be 231,750,000 Shares, representing 90% of the 257,500,000 Shares under the Share Offer. The Placing is subject to the Public Offer becoming unconditional. Subject to any reallocation of Offer Shares between the Public Offer and the Placing, the Placing Shares will represent approximately 22.5% of our enlarged issued share capital immediately after completion of the Share Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Allocation

Allocation of the Offer Shares pursuant to the Placing will be determined by the Bookrunner and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell the Offer Shares after Listing. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and our Shareholders as a whole.

SHARES WILL BE ELIGIBLE FOR CCASS

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

DEALING ARRANGEMENTS

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on 29 December 2014, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on 29 December 2014. The Shares will be traded in board lots of 5,000 Shares.

UNDERWRITING ARRANGEMENTS

The Public Offer is fully underwritten by the Public Offer Underwriter under the terms of the Public Offer Underwriting Agreement. We expect that our Company will, on or about 19 December 2014, enter into the Placing Underwriting Agreement relating to the Placing. Underwriting arrangements, the Public Offer Underwriting Agreement and the Placing Agreement are summarised in the section "Underwriting".

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sponsor, the Bookrunner, the Lead Manager, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form**, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sponsor, the Bookrunner, or the Lead Manager may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

HOW TO APPLY FOR PUBLIC OFFER SHARES

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** for the Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a Director or the chief executive officer of our Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Share Offer; or
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which application channel to use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

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 this prospectus and the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on 15 December 2014 until 12:00 noon on 18 December 2014 from:

- (i) the following office of the Public Offer Underwriter:
 - **Orient Securities Limited** at Room 2801-2804, 28/F Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong
- (ii) the following office of the Sponsor:
 - **Messis Capital Limited** at Room 1606, 16/F, Tower 2, Admiralty Centre, 18 Harcourt Road, Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

(iii) any of the following branches of Bank of Communications Co., Ltd. Hong Kong Branch:

District	Branch Name	Address
Hong Kong Island	Hong Kong Branch	20 Pedder Street, Central
	Quarry Bay Sub-Branch	G/F., 981C King's Road, Quarry Bay
	Chai Wan Sub-Branch	G/F., 121-121A Wan Tsui Road, Chai Wan
Kowloon	Tsim Sha Tsui Sub-Branch	Shop 1-3, G/F., 22-28 Mody Road, Tsim Sha Tsui
	Wong Tai Sin Sub-Branch	Shop N118, 1/F., Lung Cheung Plaza, 136 Lung Cheung Road, Wong Tai Sin
New Territories	Tsuen Wan Sub-Branch	G/F., Shop G9B-G11, Pacific Commercial Plaza, Bo Shek Mansion, 328 Sha Tsui Road, Tsuen Wan
	Ma On Shan Sub-Branch	Shop No. 3062, Level 3, Sunshine City Plaza, Ma On Shan

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on 15 December 2014 until 12:00 noon on 18 December 2014 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker, who may have such Application Forms and this prospectus available.

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 "Bank of Communications (Nominee) Co. Ltd. — Chun Sing Engineering 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, 15 December 2014 — 9:00 a.m. to 5:00 p.m.
Tuesday, 16 December 2014 — 9:00 a.m. to 5:00 p.m.
Wednesday, 17 December 2014 — 9:00 a.m. to 5:00 p.m.
Thursday, 18 December 2014 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on 18 December 2014, the last application day or such later time as described in the paragraph "Effect of Bad Weather on the Opening of the Application Lists" in this section.

HOW TO APPLY FOR PUBLIC OFFER SHARES

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form**, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Bookrunner (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sponsor, the Bookrunner, the Lead Manager, the Underwriter, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sponsor, the Bookrunner, the Lead Manager, the Underwriter 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;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (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 Sponsor, the Bookrunner, the Lead Manager and the Underwriter nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise 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;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Bookrunner will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** by you or by any one as your agent or by any other person; and

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (xix) (if you are making the application as an agent for the benefit of another person) warrant that
- (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and
 - (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in the paragraph “Who Can Apply” in this section, may apply through the **HK eIPO White Form** for the 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** 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**.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application through the **HK eIPO White Form** at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on 15 December 2014 until 11:30 a.m. on 18 December 2014 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on 18 December 2014 or such later time under the paragraph “Effect of Bad Weather on the Opening of the Application 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 instructions given by you or for your benefit through the **HK eIPO White Form** 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 instructions under **HK eIPO White Form** more than once and obtaining different application 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** or by any other means, all of your applications are liable to be rejected.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each 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).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sponsor, the Bookrunner, the Lead Manager and our Hong Kong Branch Share Registrar.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;
 - (if the electronic application instructions are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (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 Bookrunner 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;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- agree that none of our Company, the Sponsor, the Bookrunner, the Lead Manager, the Underwriter, their respective directors, officers, employees, partners, agents, advisors 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 Branch Share Registrar, receiving bank, the Sponsor, the Bookrunner, the Lead Manager, the Underwriter and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of 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 (Winding Up and Miscellaneous Provisions) Ordinance, Companies Ordinance and the Articles of Association; and

HOW TO APPLY FOR PUBLIC OFFER SHARES

- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the 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 Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 5,000 Public Offer Shares. Instructions for more than 5,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

Monday, 15 December 2014 — 9:00 a.m. to 8:30 p.m.
Tuesday, 16 December 2014 — 8:00 a.m. to 8:30 p.m.
Wednesday, 17 December 2014 — 8:00 a.m. to 8:30 p.m.
Thursday, 18 December 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 PUBLIC OFFER SHARES

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on 15 December 2014 until 12:00 noon on 18 December 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 18 December 2014, the last application day or such later time as described in the paragraph “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 Branch Share Registrar, the receiving bank, the Sponsor, the Bookrunner, the Lead Manager, the Underwriter and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **HK eIPO White Form** 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 Bookrunner, the Sponsor and the Underwriter take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** will be allotted any Public Offer Shares.

HOW TO APPLY FOR PUBLIC OFFER SHARES

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/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 18 December 2014 or such later time under the paragraph "Effect of Bad Weather on the Opening of the Application Lists" in this section.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form (whether individually or jointly) or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form**, 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 PUBLIC OFFER SHARES

9. 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 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** in respect of a minimum of 5,000 Public Offer Shares. Each application or **electronic application instructions** in respect of more than 5,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

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 details on the Offer Price, please see the section “Structure and Conditions of the Share Offer”.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on 18 December 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 18 December 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 “Expected Timetable”, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Wednesday, 24 December 2014 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on our Company’s website at **www.cseng.com.hk** and the website of the Stock Exchange at **www.hkexnews.hk**.

HOW TO APPLY FOR PUBLIC OFFER SHARES

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.cseng.com.hk** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Wednesday, 24 December 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, 24 December 2014 to 12:00 midnight on Tuesday, 30 December 2014;
- by telephone enquiry line by calling 3691-8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, 24 December 2014 to Wednesday, 31 December 2014 (excluding Saturday, Sunday and Public Holiday);
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 24 December 2014 to Tuesday, 30 December 2014 at all the receiving bank branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section "Structure and Conditions of the Share Offer".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED PUBLIC 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 through the **HK eIPO White Form**, 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 announcement of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sponsor, the Bookrunner, the Lead Manager, the HK eIPO White Form Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee 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.

(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** are not completed in accordance with the instructions, terms and conditions on the designated website;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- 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 Bookrunner believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Public Offer Shares initially offered under the Public Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the Offer Price of HK\$0.60 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer set out in the section "Structure and Conditions of the Share Offer — Conditions of the Public Offer" are not fulfilled 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 24 December 2014.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the Offer Price of HK\$0.60 per Offer Share (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

HOW TO APPLY FOR PUBLIC OFFER SHARES

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around 24 December 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 order(s).

Share certificates will only become valid at 8:00 a.m. on 29 December 2014 provided that the Share Offer has become unconditional and the right of termination described in the section "Underwriting" has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) *If you apply using a WHITE Application Form*

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from 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 24 December 2014 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on 24 December 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 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on 24 December 2014, by ordinary post and at your own risk.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 24 December 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 apply 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 the paragraph "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 24 December 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.

(iii) *If you apply through the HK eIPO White Form*

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 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 24 December 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 24 December 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on 24 December 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 specified in the paragraph "Publication of Results" in this section on 24 December 2014. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on 24 December 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 24 December 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 Offer Price of HK\$0.60 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 24 December 2014. No interest will be paid thereon.

HOW TO APPLY FOR PUBLIC OFFER SHARES

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong for the purpose of incorporation in this prospectus.



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

15 December 2014

The Directors
Chun Sing Engineering Holdings Limited

Messis Capital Limited

Dear Sirs,

Introduction

We set out below our report on the financial information relating to Chun Sing Engineering Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the combined statements of financial position of the Group as at 31 March 2012, 2013 and 2014 and 30 June 2014, and the combined statements of profit or loss and comprehensive income, the combined statements of changes in equity and the combined cash flow statements of the Group, for each of the years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014 (the "Relevant Periods"), together with the explanatory notes thereto (the "Financial Information"), for inclusion in the prospectus of the Company dated 15 December 2014 (the "Prospectus").

The Company was incorporated in the Cayman Islands on 15 July 2014 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation completed on 5 December 2014 (the "Reorganisation") as detailed in the section headed "Company History and Reorganisation" in the Prospectus, the Company became the holding company of the companies now comprising the Group, details of which are set out in note 1(b) of Section B below. The Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganisation.

As at the date of this report, no audited financial statements have been prepared for the Company, Eternity Sail Limited and Bojin International Limited, as they either have not carried on any business since the date of incorporation or are investment holding companies and not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

All companies now comprising the Group have adopted 31 March as their financial year end date. Details of the companies comprising the Group that are subject to audit during the Relevant Periods and the names of the respective auditors are set out in note 1(b) of Section B. The statutory financial statements of these companies were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The directors of the Company have prepared the combined financial statements of the Group for the Relevant Periods (the “Underlying Financial Statements”) on the same basis as used in the preparation of the Financial Information set out in Section B below. The Underlying Financial Statements for each of the years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014 were audited by us under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information has been prepared by the directors of the Company for inclusion in the Prospectus in connection with the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Directors’ responsibility for the financial information

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline “Prospectuses and the Reporting Accountant” (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 30 June 2014.

Opinion

In our opinion, the Financial Information gives, for the purpose of this report, on the basis of preparation set out in note 1(b) of Section B below, a true and fair view of the state of affairs of the Group as at 31 March 2012, 2013 and 2014 and 30 June 2014 and the Group’s combined results and cash flows for the Relevant Periods then ended.

Corresponding financial information

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Group comprising the combined statement of profit or loss and comprehensive income, the combined statement of changes in equity and the combined cash flow statement for the three months ended 30 June 2013, together with the notes thereon (the "Corresponding Financial Information"), for which the directors are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The directors of the Company are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A. FINANCIAL INFORMATION

1. Combined statements of profit or loss and comprehensive income

	<i>Section B</i>	Year ended 31 March			Three months ended	
		2012	2013	2014	30 June	2014
	<i>Note</i>	HK\$	HK\$	HK\$	HK\$	HK\$
					<i>(Unaudited)</i>	
Turnover	3	199,756,305	452,266,783	581,431,405	108,843,251	196,620,219
Direct costs		(188,923,526)	(384,023,117)	(497,048,030)	(90,823,032)	(167,226,324)
Gross profit		10,832,779	68,243,666	84,383,375	18,020,219	29,393,895
Other revenue	4	146,277	402,348	521,117	114,000	123,900
Other net income	5	1,174,730	1,763,381	2,612,481	1,061,092	1,035,560
General and administrative expenses		(12,100,762)	(15,112,677)	(17,960,783)	(3,584,557)	(8,070,015)
Profit from operations		53,024	55,296,718	69,556,190	15,610,754	22,483,340
Finance costs	6(a)	(562,448)	(1,643,422)	(1,305,896)	(315,274)	(229,371)
(Loss)/profit before taxation	6	(509,424)	53,653,296	68,250,294	15,295,480	22,253,969
Income tax	7(a)	54,462	(9,233,598)	(11,429,282)	(2,535,451)	(4,182,469)
(Loss)/profit and total comprehensive income for the year/period		<u>(454,962)</u>	<u>44,419,698</u>	<u>56,821,012</u>	<u>12,760,029</u>	<u>18,071,500</u>

The accompanying notes form part of the Financial Information.

2. Combined statements of financial position

	<i>Section B Note</i>	2012 <i>HK\$</i>	At 31 March 2013 <i>HK\$</i>	2014 <i>HK\$</i>	At 30 June 2014 <i>HK\$</i>
Non-current assets					
Fixed assets	12				
- Investment properties		15,384,951	15,070,973	16,492,945	14,678,500
- Other property, plant and equipment		13,483,107	42,932,587	62,880,267	64,003,834
Prepayments		—	—	351,100	1,200,000
Deferred tax assets	7(c)	593,394	—	—	—
		<u>29,461,452</u>	<u>58,003,560</u>	<u>79,724,312</u>	<u>79,882,334</u>
Current assets					
Gross amounts due from customers for contract work	15	6,986,483	47,613,559	51,130,621	49,020,588
Trade and other receivables	13	36,327,028	88,238,280	125,753,771	124,003,409
Amounts due from related parties	22(e)	1,381,044	3,646,163	22,487,643	22,760,699
Cash and cash equivalents	14	8,656,960	6,584,206	9,090,501	72,727,254
		<u>53,351,515</u>	<u>146,082,208</u>	<u>208,462,536</u>	<u>268,511,950</u>
Current liabilities					
Gross amounts due to customers for contract work	15	289,042	218,491	9,675,595	33,247,587
Trade and other payables	16	23,740,382	105,757,991	102,470,280	117,729,874
Amounts due to related parties	22(e)	32,051,102	15,277,557	14,900,214	15,015,557
Bank loans and overdrafts	18	10,872,118	10,206,234	18,287,112	22,341,457
Obligations under finance leases	17	1,505,583	2,887,486	7,054,417	11,383,593
Tax payable	7(c)	330,483	6,674,755	8,304,847	11,932,808
		<u>68,788,710</u>	<u>141,022,514</u>	<u>160,692,465</u>	<u>211,650,876</u>
Net current (liabilities)/assets		<u>(15,437,195)</u>	<u>5,059,694</u>	<u>47,770,071</u>	<u>56,861,074</u>
Total assets less current liabilities		<u>14,024,257</u>	<u>63,063,254</u>	<u>127,494,383</u>	<u>136,743,408</u>
Non-current liabilities					
Obligations under finance leases	17	2,528,300	4,924,861	10,198,160	16,821,177
Deferred tax liabilities	7(c)	—	2,222,738	4,559,556	5,114,064
		<u>2,528,300</u>	<u>7,147,599</u>	<u>14,757,716</u>	<u>21,935,241</u>
NET ASSETS		<u>11,495,957</u>	<u>55,915,655</u>	<u>112,736,667</u>	<u>114,808,167</u>
CAPITAL AND RESERVES					
Share capital	19				
	19(b)	70,000	70,000	70,000	70,000
Reserves		11,425,957	55,845,655	112,666,667	114,738,167
TOTAL EQUITY		<u>11,495,957</u>	<u>55,915,655</u>	<u>112,736,667</u>	<u>114,808,167</u>

The accompanying notes form part of the Financial Information.

3. Combined statements of changes in equity

	Attributable to equity shareholders of the Group		
	Share capital <i>HK\$</i>	Retained profits <i>HK\$</i>	Total equity <i>HK\$</i>
At 1 April 2011	70,000	11,880,919	11,950,919
Changes in equity for 2012:			
Loss and total comprehensive income for the year	—	(454,962)	(454,962)
At 31 March 2012 and 1 April 2012	70,000	11,425,957	11,495,957
Changes in equity for 2013:			
Profit and total comprehensive income for the year	—	44,419,698	44,419,698
At 31 March 2013 and 1 April 2013	70,000	55,845,655	55,915,655
Changes in equity for 2014:			
Profit and total comprehensive income for the year	—	56,821,012	56,821,012
At 31 March 2014 and 1 April 2014	70,000	112,666,667	112,736,667
Changes in equity for the three months ended 30 June 2014:			
Dividends approved in respect of the previous year	—	(16,000,000)	(16,000,000)
Profit and total comprehensive income for the period	—	18,071,500	18,071,500
At 30 June 2014	70,000	114,738,167	114,808,167
At 1 April 2013 (Unaudited)	70,000	55,845,655	55,915,655
Changes in equity for the three months ended 30 June 2013:			
Profit and total comprehensive income for the period (unaudited)	—	12,760,029	12,760,029
At 30 June 2013 (Unaudited)	70,000	68,605,684	68,675,684

The accompanying notes form part of the Financial Information.

4. Combined cash flow statements

	Section B Note	Year ended 31 March			Three months ended 30 June	
		2012 HK\$	2013 HK\$	2014 HK\$	2013 HK\$	2014 HK\$
					(Unaudited)	
Cash (used in)/generated from operations	14(b)	(2,242,195)	46,692,232	46,316,932	54,242,397	56,881,536
Tax paid		<u>(1,890,277)</u>	<u>(73,194)</u>	<u>(7,462,372)</u>	<u>—</u>	<u>—</u>
Net cash (used in)/generated from operating activities		<u>(4,132,472)</u>	<u>46,619,038</u>	<u>38,854,560</u>	<u>54,242,397</u>	<u>56,881,536</u>
Investing activities						
Payment for the purchase of fixed assets		(17,503,922)	(29,040,614)	(39,316,604)	(9,000,000)	(8,044,236)
Net proceeds from sale and lease back transactions		—	—	15,953,589	9,300,000	15,100,000
Proceeds from disposal of fixed assets		<u>6,382,600</u>	<u>2,250,000</u>	<u>5,962,000</u>	<u>1,170,000</u>	<u>2,630,000</u>
Net cash (used in)/generated from investing activities		<u>(11,121,322)</u>	<u>(26,790,614)</u>	<u>(17,401,015)</u>	<u>1,470,000</u>	<u>9,685,764</u>
Financing activities						
Proceeds from bank loans		9,687,000	20,000,000	33,462,372	—	12,000,000
Repayment of bank loans		(4,452,662)	(20,665,884)	(31,304,249)	(3,398,013)	(2,039,339)
Increase in amounts due from related parties		—	(1,035,616)	(13,073,745)	(1,046,518)	(578,897)
Increase/(decrease) in amounts due to related parties		14,396,013	(16,447,136)	(439,128)	(439,128)	—
Capital element of finance leases rentals paid		(1,671,049)	(2,109,120)	(12,209,359)	(3,420,630)	(6,176,624)
Interest element of finance leases rentals paid		(226,561)	(231,200)	(865,692)	(155,363)	(124,911)
Interest paid		<u>(335,887)</u>	<u>(1,412,222)</u>	<u>(440,204)</u>	<u>(159,911)</u>	<u>(104,460)</u>
Net cash generated from/(used in) financing activities		<u>17,396,854</u>	<u>(21,901,178)</u>	<u>(24,870,005)</u>	<u>(8,619,563)</u>	<u>2,975,769</u>
Net increase/(decrease) in cash and cash equivalents		2,143,060	(2,072,754)	(3,416,460)	47,092,834	69,543,069
Cash and cash equivalents at the beginning of the year/period		<u>6,513,900</u>	<u>8,656,960</u>	<u>6,584,206</u>	<u>6,584,206</u>	<u>3,167,746</u>
Cash and cash equivalents at the end of the year/period	14	<u>8,656,960</u>	<u>6,584,206</u>	<u>3,167,746</u>	<u>53,677,040</u>	<u>72,710,815</u>

The accompanying notes form part of the Financial Information.

B. NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 Significant accounting policies***(a) Statement of compliance***

The Financial Information set out in this report has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes Hong Kong Accounting Standards and related interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). Further details of the significant accounting policies adopted by Chun Sing Engineering Holdings Limited (the “Company”) and its subsidiaries (the “Group”) are set out in the remainder of Section B.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing the Financial Information, the Group has adopted all applicable new and revised HKFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period beginning on or after 1 April 2014. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning 1 April 2014 are set out in note 23.

The Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

The Corresponding Financial Information for the three months ended 30 June 2013 has been prepared in accordance with the same basis and accounting policies adopted in respect of the Financial Information.

(b) Basis of preparation and presentation

The Financial Information comprises the Company and its subsidiaries. The Financial Information has been prepared using the principles of merger accounting as if the Group had always been in existence as further explained below.

The Company was incorporated in the Cayman Islands on 15 July 2014 and became the holding company of the Group pursuant to the Reorganisation completed on 5 December 2014. The Group’s businesses were conducted principally through Chun Sing Engineering Company Limited (“CS Engineering”) and Chun Sing Machinery Company Limited (“CS Machinery”). CS Engineering and CS Machinery were owned as to 55% by Mr. Leung Kam Chuen (“Mr. Leung”) and 45% by Mr. Kwan Wai Ming (“Mr. Kwan”) before the Reorganisation. As detailed in the section headed “Company History and Reorganisation” in the Prospectus, the Group underwent the Reorganisation to rationalise its corporate structure in preparation for the listing of the Company’s shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Following the Reorganisation, the Company was owned by Mr. Leung and Mr. Kwan as to 55% and 45% respectively. As the Group's businesses were beneficially owned by Mr. Leung and Mr. Kwan in the same proportionate ownership interests before and after the Reorganisation, there was a continuation of risks and benefits to the ultimate beneficial owners. Accordingly, the Reorganisation has been accounted for as a combination of entities using the merger basis of accounting. The Financial Information has been prepared as if the Group had always been in existence and the assets and liabilities of CS Machinery and CS Engineering are combined using the historical book values from the perspective of Mr. Leung and Mr. Kwan.

The combined statements of profit or loss and comprehensive income, the combined statements of changes in equity and the combined cash flow statements of the Group for the Relevant Periods as set out in Section A of this report include the results of operations of the companies now comprising the Group (or where the companies were incorporated at a date later than 1 April 2011, for the period from the date of incorporation to 30 June 2014) as if the current group structure had been in existence and remained unchanged throughout the Relevant Periods. The combined statements of financial position of the Group as at 31 March 2012, 2013 and 2014 and 30 June 2014 as set out in Section A of this report have been prepared to present the state of affairs of the companies now comprising the Group as at those dates as if the current group structure had been in existence as at the respective dates.

Intra-group balances and transactions are eliminated in full in preparing the Financial Information.

As at the date of approval of this report, the Company had direct or indirect interests in the following subsidiaries, all of which are private companies, particulars of which are set out below:

Name of company	Place of incorporation	Date of incorporation	Issued and fully paid up capital	Proportion of ownership interest		Principal activities
				Group's effective interest	Held by the Company	
Eternity Sail Limited ¹	British Virgin Islands	2 January 2014	US\$1, 1 share of US\$1 each	100%	100%	Investment holding
Bojin International Limited ¹	British Virgin Islands	5 June 2014	US\$1, 1 share of US\$1 each	100%	100%	Investment holding
Chun Sing Engineering Company Limited	Hong Kong	27 July 1993	HK\$10,000	100%	—	Construction and engineering
Chun Sing Machinery Company Limited	Hong Kong	23 December 1998	HK\$60,000	100%	—	Machinery leasing

The following list contains details of the companies in the Financial Information that are subject to audit during the Relevant Periods and the name of the respective auditors.

Name of company	Financial period	Statutory auditors
Chun Sing Engineering Company Limited	For the years ended 31 March 2012, 2013 and 2014	Wong Fuk Shing Philip
Chun Sing Machinery Company Limited	For the years ended 31 March 2012, 2013 and 2014	Wong Fuk Shing Philip

Note:

1. No statutory financial statements have been prepared for these companies as they are not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

(c) Basis of measurement and use of estimates and judgements

The Financial Information is presented in Hong Kong dollars. The measurement basis used in the preparation of the Financial Information is the historical cost basis.

The preparation of the Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 2.

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, 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. When assessing whether the Group has power, only substantive rights are considered.

An investment in a subsidiary is included in the Financial Information from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in the former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as fair value on initial recognition of a financial asset. The fair value is the transaction price unless fair value can be more reliably estimated using valuation technique whose variables include only data from observable markets. Cost includes attributable transaction costs.

(e) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at cost less accumulated depreciation and impairment losses (see note 1(h)). Depreciation is calculated on a straight line basis to write down the costs of leasehold land and buildings over their anticipated useful lives as described in note 1(f). Rental income from investment properties is accounted for as described in note 1(q)(ii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 1(g)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 1(g).

(f) Other property, plant and equipment

Other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(h)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

— Furniture and fixtures	4 years
— Leasehold improvements	Over the remaining lease term
— Motor vehicles	4 years
— Machinery	4 - 5 years
— Leasehold land and buildings are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.	

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(g) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, except for property held under operating leases that would otherwise meet the definition of investment properties is classified as investment properties on a property-by-property basis and, if classified as investment properties, is accounted for as if held under a finance lease (see note 1(e)).

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(f). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(h). Finance charges implicit in the

lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) *Operating lease charges*

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as investment properties (see note 1(e)).

(h) *Impairment of assets*

(i) *Impairment of trade and other receivables*

Trade and other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years/periods.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) *Impairment of other assets*

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that investment properties and other property, plant and equipment may be impaired or, an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years/periods. Reversals of impairment losses are credited to profit or loss in the year/period in which the reversals are recognised.

(i) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in note 1(q)(i). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the 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 costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the end of the reporting period are recorded at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the statements of financial position as the "Gross amounts due from customers for contract work" (as an asset) or the "Gross amounts due to customers for contract work" (as a liability), as applicable. Progress billings not yet paid by the customer are included under "Trade and other receivables". Amounts received before the related work is performed are included under "Trade and other payables".

(j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(h)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(k) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(l) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the combined cash flow statements.

(n) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year/period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(o) Income tax

Income tax for the year/period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year/period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years/periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

(p) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Contract revenue

When the outcome of a construction contract can be estimated reliably:

- revenue from a fixed price contract work is recognised based on the stage of completion of the contracts, provided that the stage of contract completion and the gross billing value of contracting work can be measured reliably. The stage of completion of a contract is established according to the progress certificate (by reference to the amount of completed works confirmed by surveyor) issued by the customers.
- revenue from a cost plus contract work is recognised by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customer or the outcome of which can be estimated reliably by management and are capable of being reliably measured.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(ii) *Rental income from lease of machinery and investment properties*

Rental income receivable from lease of machinery and investment properties is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) *Interest income*

Interest income is recognised as it accrues using the effective interest method.

(r) *Borrowing costs*

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(s) *Related parties*

- (1) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (2) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (1).
- (vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(t) Segment Reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 Accounting judgements and estimates

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(i) Depreciation of fixed assets

Fixed assets are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the fixed assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(ii) Impairment of trade receivables

The Group evaluates whether there is any objective evidence that trade receivables are impaired, and estimates allowances for doubtful debts as a result of the inability of the debtors to make required payments. The Group bases the estimates on the ageing of the trade receivables balance, credit-worthiness of the customer and historical write-off experience. If the financial condition of the debtors were to deteriorate, actual write-offs would be higher than estimated.

*(b) Sources of estimation uncertainty**Construction contracts*

As explained in policy notes 1(i) and 1(q)(i), revenue recognition on a project is dependent on management's estimation of the total outcome of the construction contracts, with reference to the progress certificate issued by the customer. The Group reviews and revises the estimates of contract revenue, contract costs and variation orders, prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgeted construction costs by comparing the budgeted amounts to the actual costs incurred.

Significant judgement is required in estimating the contract revenue, contract costs and variation work which may have an impact on percentage of completion of the construction contracts and the corresponding profit taken.

Management base their judgements of contract costs and revenues on the latest available information, which includes detailed contract valuations. In many cases the results reflect the expected outcome of long-term contractual obligations which span more than one reporting period. Contract costs and revenues are affected by a variety of uncertainties that depend on the outcome of future events and often need to be revised as events unfold and uncertainties are resolved. The estimates of contract costs and revenues are updated regularly and significant changes are highlighted through established internal review procedures. In particular, the internal reviews focus on the timing and recognition of payments and the age and recoverability of any unagreed income from variations to the contract scope or claims. The impact of the changes in accounting estimates is then reflected in the ongoing results.

3 Turnover and segment information

Turnover represents revenue from construction contracts and rental income from lease of machinery and is analysed as follows:

	Year ended 31 March			Three months ended 30 June	
	2012 HK\$	2013 HK\$	2014 HK\$	2013 HK\$	2014 HK\$
				<i>(Unaudited)</i>	
Revenue from construction contracts	195,583,310	449,851,301	578,476,094	107,741,831	196,574,019
Rental income from lease of machinery	<u>4,172,995</u>	<u>2,415,482</u>	<u>2,955,311</u>	<u>1,101,420</u>	<u>46,200</u>
	<u>199,756,305</u>	<u>452,266,783</u>	<u>581,431,405</u>	<u>108,843,251</u>	<u>196,620,219</u>

The chief operating decision-maker has been identified as the Board of Directors of the Company. The Board of Directors regards the Group's business as a single operating segment and reviews financial information accordingly. Also, the Group only engages its business in Hong Kong. Therefore, no segment information is presented.

For the years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2013 and 2014, there were 2, 2, 4, 3 and 3 customers which individually contributed over 10% of the Group's revenue, respectively. The aggregate amount of revenue from these customers amounted to 84%, 88%, 93%, 83% and 93% of the Group's total revenue, respectively.

4 Other revenue

	Year ended 31 March			Three months ended 30 June	
	2012 HK\$	2013 HK\$	2014 HK\$	2013 HK\$	2014 HK\$
				<i>(Unaudited)</i>	
Rental income from investment properties	—	399,000	456,000	114,000	117,000
Others	<u>146,277</u>	<u>3,348</u>	<u>65,117</u>	<u>—</u>	<u>6,900</u>
	<u>146,277</u>	<u>402,348</u>	<u>521,117</u>	<u>114,000</u>	<u>123,900</u>

5 Other net income

	Year ended 31 March			Three months ended 30 June	
	2012 HK\$	2013 HK\$	2014 HK\$	2013 HK\$	2014 HK\$
				<i>(Unaudited)</i>	
Gain on disposal of fixed assets	<u>1,174,730</u>	<u>1,763,381</u>	<u>2,612,481</u>	<u>1,061,092</u>	<u>1,035,560</u>

6 (Loss)/profit before taxation

(Loss)/profit before taxation is arrived at after charging/(crediting):

	Year ended 31 March			Three months ended 30 June	
	2012 HK\$	2013 HK\$	2014 HK\$	2013 HK\$	2014 HK\$
				<i>(Unaudited)</i>	
(a) Finance costs					
Interest on bank overdrafts and other borrowings wholly repayable within five years	335,887	1,412,222	440,204	124,407	104,460
Finance charges on obligations under finance leases	<u>226,561</u>	<u>231,200</u>	<u>865,692</u>	<u>190,867</u>	<u>124,911</u>
	<u>562,448</u>	<u>1,643,422</u>	<u>1,305,896</u>	<u>315,274</u>	<u>229,371</u>
(b) Staff costs (including directors' remuneration)*					
Contributions to defined contribution retirement plans	979,069	1,568,278	1,920,123	475,955	557,174
Salaries, wages and other benefits	<u>29,056,112</u>	<u>44,539,446</u>	<u>57,825,286</u>	<u>14,145,671</u>	<u>16,431,722</u>
	30,035,181	46,107,724	59,745,409	14,621,626	16,988,896
Add/(Less): Amount included in construction contracts in progress	<u>1,123,425</u>	<u>4,094,379</u>	<u>19,967,588</u>	<u>(1,543,453)</u>	<u>13,045,198</u>
	<u>31,158,606</u>	<u>50,202,103</u>	<u>79,712,997</u>	<u>13,078,173</u>	<u>30,034,094</u>

	Year ended 31 March			Three months ended 30 June	
	2012 HK\$	2013 HK\$	2014 HK\$	2013 HK\$	2014 HK\$
				<i>(Unaudited)</i>	
(c) Other items					
Depreciation	7,310,126	11,096,077	17,523,917	3,444,186	5,149,007
(Less)/Add: Amount included in construction contracts in progress	<u>(193,826)</u>	<u>1,090,325</u>	<u>(1,336,722)</u>	<u>(459,872)</u>	<u>41,558</u>
	7,116,300	12,186,402	16,187,195	2,984,314	5,190,565
Operating lease charges					
- hire of machinery	288,000	317,665	588,000	147,000	147,000
- hire of properties*	1,477,676	1,684,374	2,380,924	373,864	801,646
Auditors' remuneration	32,000	42,000	—	—	—
Rental receivable from investment properties less direct outgoings of HK\$Nil, HK\$63,978, HK\$72,207, HK\$17,907 and HK\$17,707 for the years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2013 and 2014 respectively	—	(335,022)	(383,793)	(96,093)	(99,293)
Write off of retention receivables	<u>—</u>	<u>809,000</u>	<u>—</u>	<u>—</u>	<u>—</u>

* Staff costs include HK\$348,500, HK\$360,000, HK\$360,000, HK\$90,000 and HK\$30,000 relating to operating lease charges on director's quarter for the years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2013 and 2014 respectively, which amount is also included in the respective total amount disclosed separately above.

7 Income tax

(a) *Income tax in the combined statements of profit or loss and comprehensive income represents:*

	Year ended 31 March			Three months ended 30 June	
	2012 HK\$	2013 HK\$	2014 HK\$	2013 HK\$	2014 HK\$
				<i>(Unaudited)</i>	
Current tax					
Provision for Hong Kong Profits Tax for the year/period	182,049	6,417,466	9,092,464	1,888,640	3,627,961
Deferred tax					
Origination and reversal of temporary differences	<u>(236,511)</u>	<u>2,816,132</u>	<u>2,336,818</u>	<u>646,811</u>	<u>554,508</u>
	<u>(54,462)</u>	<u>9,233,598</u>	<u>11,429,282</u>	<u>2,535,451</u>	<u>4,182,469</u>

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.
- (ii) The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the Relevant Periods.

(b) *Reconciliation between income tax expense and accounting (loss)/profit before taxation at applicable tax rate:*

	Year ended 31 March			Three months ended 30 June	
	2012 HK\$	2013 HK\$	2014 HK\$	2013 HK\$	2014 HK\$
(Loss)/profit before taxation	<u>(509,424)</u>	<u>53,653,296</u>	<u>68,250,294</u>	<u>15,295,480</u>	<u>22,253,969</u>
Notional tax on (loss)/profit before taxation, calculated at the rates applicable to the (loss)/profit in the jurisdictions concerned	(84,055)	8,852,794	11,261,299	2,523,754	3,671,905
Effect of non-deductible expenses	52,377	217,123	55,329	12,952	465,996
Tax effect of temporary difference not recognised	(21,634)	(5,209)	1,399	4,856	(42,511)
Others	<u>(1,150)</u>	<u>168,890</u>	<u>111,255</u>	<u>(6,111)</u>	<u>87,079</u>
Actual income tax expense	<u>(54,462)</u>	<u>9,233,598</u>	<u>11,429,282</u>	<u>2,535,451</u>	<u>4,182,469</u>

(c) *Income tax in the combined statements of financial position represents:*(i) *Current taxation*

	At 31 March		At 30 June	
	2012 HK\$	2013 HK\$	2014 HK\$	2014 HK\$
Provision for Hong Kong Profits Tax for the year/period	182,049	6,417,466	9,092,464	3,627,961
Provisional Profits Tax paid	<u>(890,986)</u>	<u>(488,090)</u>	<u>(3,980,231)</u>	—
	(708,937)	5,929,376	5,112,233	3,627,961
Balance of Profits Tax provision relating to prior years	<u>1,039,420</u>	<u>745,379</u>	<u>3,192,614</u>	<u>8,304,847</u>
	<u>330,483</u>	<u>6,674,755</u>	<u>8,304,847</u>	<u>11,932,808</u>

(ii) *Deferred tax assets and liabilities recognised*

The components of deferred tax assets and liabilities recognised in the combined statements of financial position and the movements during the Relevant Periods are as follows:

<i>Deferred tax arising from:</i>	Depreciation allowances in excess of the related depreciation <i>HK\$</i>	Tax losses <i>HK\$</i>	Others <i>HK\$</i>	Total <i>HK\$</i>
At 1 April 2011	(1,831,975)	2,188,858	—	356,883
Credited/(charged) to profit or loss	<u>431,619</u>	<u>(200,272)</u>	<u>5,164</u>	<u>236,511</u>
At 31 March 2012 and 1 April 2012	(1,400,356)	1,988,586	5,164	593,394
(Charged)/credited to profit or loss	<u>(3,207,297)</u>	<u>(600,453)</u>	<u>991,618</u>	<u>(2,816,132)</u>
At 31 March 2013 and 1 April 2013	(4,607,653)	1,388,133	996,782	(2,222,738)
(Charged)/credited to profit or loss	<u>(2,468,256)</u>	<u>925,657</u>	<u>(794,219)</u>	<u>(2,336,818)</u>
At 31 March 2014 and 1 April 2014	(7,075,909)	2,313,790	202,563	(4,559,556)
Credited/(charged) to profit or loss	<u>1,285,962</u>	<u>(1,804,714)</u>	<u>(35,756)</u>	<u>(554,508)</u>
At 30 June 2014	<u>(5,789,947)</u>	<u>509,076</u>	<u>166,807</u>	<u>(5,114,064)</u>

Reconciliation to the combined statements of financial position is as follows:

	2012 <i>HK\$</i>	At 31 March 2013 <i>HK\$</i>	2014 <i>HK\$</i>	At 30 June 2014 <i>HK\$</i>
Net deferred tax asset recognised in the combined statements of financial position	593,394	—	—	—
Net deferred tax liability recognised in the combined statements of financial position	—	<u>(2,222,738)</u>	<u>(4,559,556)</u>	<u>(5,114,064)</u>
	<u>593,394</u>	<u>(2,222,738)</u>	<u>(4,559,556)</u>	<u>(5,114,064)</u>

(d) There were no material unrecognised deferred tax assets as at 31 March 2012, 2013 and 2014 and 30 June 2014.

8 Directors' remuneration

Directors' remuneration during the Relevant Periods which was included in the staff costs as disclosed in note 6(b) is as follows:

	Year ended 31 March 2012			
	Directors' fees	Salaries, allowances and benefits	Retirement scheme	Total
		in kind	contributions	
		HK\$	HK\$	
Executive Directors				
Mr. Leung Kam Chuen	—	780,000	—	780,000
Mr. Kwan Wai Ming	—	1,038,500	12,000	1,050,500
Total	—	1,818,500	12,000	1,830,500

	Year ended 31 March 2013			
	Directors' fees	Salaries, allowances and benefits	Retirement scheme	Total
		in kind	contributions	
		HK\$	HK\$	
Executive Directors				
Mr. Leung Kam Chuen	—	870,000	—	870,000
Mr. Kwan Wai Ming	—	1,110,000	14,500	1,124,500
Total	—	1,980,000	14,500	1,994,500

	Year ended 31 March 2014			
	Directors' fees	Salaries, allowances and benefits	Retirement scheme	Total
		in kind	contributions	
		HK\$	HK\$	
Executive Directors				
Mr. Leung Kam Chuen	—	1,000,000	—	1,000,000
Mr. Kwan Wai Ming	—	1,240,000	15,000	1,255,000
Total	—	2,240,000	15,000	2,255,000

Three months ended 30 June 2013 (Unaudited)				
	Directors'	Salaries, allowances and benefits	Retirement scheme contributions	Total
	fees	in kind	in kind	in kind
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Executive Directors				
Mr. Leung Kam Chuen	—	240,000	—	240,000
Mr. Kwan Wai Ming	—	300,000	3,750	303,750
Total	—	<u>540,000</u>	<u>3,750</u>	<u>543,750</u>

Three months ended 30 June 2014				
	Directors'	Salaries, allowances and benefits	Retirement scheme contributions	Total
	fees	in kind	in kind	in kind
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Executive Directors				
Mr. Leung Kam Chuen	—	310,000	—	310,000
Mr. Kwan Wai Ming	—	360,000	4,000	364,000
Total	—	<u>670,000</u>	<u>4,000</u>	<u>674,000</u>

Notes:

- (i) During the Relevant Periods, remuneration of Mr. Leung Kam Chuen and Mr. Kwan Wai Ming were paid by Chun Sing Engineering Company Limited for their directorship in this company.
- (ii) No director received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the Relevant Periods. No director waived or agreed to waive any emoluments during the Relevant Periods.
- (iii) The Company did not have any share option scheme for the purchase of ordinary shares in the Company during the Relevant Periods.

9 Emoluments of five highest paid individuals

Of the five highest paid individuals of the Group during the Relevant Periods, two of these are directors for the years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2013 and 2014 respectively, whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	Year ended 31 March			Three months ended 30 June	
	2012	2013	2014	2013	2014
	HK\$	HK\$	HK\$	HK\$	HK\$
				<i>(Unaudited)</i>	
Salaries, allowances and benefits in kind	1,345,074	1,582,000	2,301,000	564,000	594,000
Discretionary bonuses	278,000	284,000	449,000	189,000	99,000
Retirement scheme contributions	34,000	43,500	45,000	11,250	12,000
	<u>1,657,074</u>	<u>1,909,500</u>	<u>2,795,000</u>	<u>764,250</u>	<u>705,000</u>

The emoluments of the above individuals are within the following bands:

	Year ended 31 March			Three months ended 30 June	
	2012	2013	2014	2013	2014
	<i>Number of individuals</i>	<i>Number of individuals</i>	<i>Number of individuals</i>	<i>Number of individuals</i>	<i>Number of individuals</i>
				<i>(Unaudited)</i>	
Nil to HK\$1,000,000	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

10 Dividends

No dividend was declared or paid by the Company during the Relevant Periods to its equity shareholders.

During the three months ended 30 June 2014, Chun Sing Engineering Company Limited declared a special dividend of HK\$16,000,000 which was paid on 2 July 2014.

11 Earnings per share

Earnings per share information is not presented as its inclusion for the purpose of this Financial Information is not considered meaningful due to the Reorganisation and the preparation of the results of the Group for the Relevant Periods on a combined basis as disclosed in note 1(b) of Section B above.

12 Fixed assets

	Machinery	Leasehold improvements	Furniture and fixtures	Motor vehicles	Sub-total	Investment properties	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Cost:							
At 1 April 2011	46,440,693	—	714,744	4,912,835	52,068,272	5,207,870	57,276,142
Additions	925,000	—	376,490	1,916,976	3,218,466	15,698,930	18,917,396
Disposals	(170,400)	—	(123,998)	(273,000)	(567,398)	(5,207,870)	(5,775,268)
At 31 March 2012	47,195,293	—	967,236	6,556,811	54,719,340	15,698,930	70,418,270
At 1 April 2012	47,195,293	—	967,236	6,556,811	54,719,340	15,698,930	70,418,270
Additions	37,406,000	—	259,614	3,052,584	40,718,198	—	40,718,198
Disposals	(4,500,000)	—	(46,870)	—	(4,546,870)	—	(4,546,870)
At 31 March 2013	80,101,293	—	1,179,980	9,609,395	90,890,668	15,698,930	106,589,598
At 1 April 2013	80,101,293	—	1,179,980	9,609,395	90,890,668	15,698,930	106,589,598
Additions	38,715,589	—	192,650	1,596,000	40,504,239	1,738,849	42,243,088
Disposals	(15,959,710)	—	(214,520)	(674,770)	(16,849,000)	—	(16,849,000)
At 31 March 2014	102,857,172	—	1,158,110	10,530,625	114,545,907	17,437,779	131,983,686
At 1 April 2014	102,857,172	—	1,158,110	10,530,625	114,545,907	17,437,779	131,983,686
Additions	4,000,000	1,021,874	201,878	2,028,817	7,252,569	—	7,252,569
Disposals	(2,439,000)	—	(96,275)	(1,562,471)	(4,097,746)	(1,738,849)	(5,836,595)
At 30 June 2014	104,418,172	1,021,874	1,263,713	10,996,971	117,700,730	15,698,930	133,399,660
Accumulated depreciation:							
At 1 April 2011	(31,249,489)	—	(562,107)	(2,995,888)	(34,807,484)	—	(34,807,484)
Charge for the year	(5,907,552)	—	(175,786)	(912,809)	(6,996,147)	(313,979)	(7,310,126)
Written back on disposals	170,400	—	123,998	273,000	567,398	—	567,398
At 31 March 2012	(36,986,641)	—	(613,895)	(3,635,697)	(41,236,233)	(313,979)	(41,550,212)
At 1 April 2012	(36,986,641)	—	(613,895)	(3,635,697)	(41,236,233)	(313,979)	(41,550,212)
Charge for the year	(9,317,780)	—	(223,750)	(1,240,569)	(10,782,099)	(313,978)	(11,096,077)
Written back on disposals	4,013,381	—	46,870	—	4,060,251	—	4,060,251
At 31 March 2013	(42,291,040)	—	(790,775)	(4,876,266)	(47,958,081)	(627,957)	(48,586,038)
At 1 April 2013	(42,291,040)	—	(790,775)	(4,876,266)	(47,958,081)	(627,957)	(48,586,038)
Charge for the year	(14,956,763)	—	(197,715)	(2,052,562)	(17,207,040)	(316,877)	(17,523,917)
Written back on disposals	12,933,991	—	214,520	350,970	13,499,481	—	13,499,481
At 31 March 2014	(44,313,812)	—	(773,970)	(6,577,858)	(51,665,640)	(944,834)	(52,610,474)
At 1 April 2014	(44,313,812)	—	(773,970)	(6,577,858)	(51,665,640)	(944,834)	(52,610,474)
Charge for the period	(4,367,138)	(129,123)	(22,111)	(546,345)	(5,064,717)	(84,290)	(5,149,007)
Written back on disposals	1,682,084	—	96,275	1,255,102	3,033,461	8,694	3,042,155
At 30 June 2014	(46,998,866)	(129,123)	(699,806)	(5,869,101)	(53,696,896)	(1,020,430)	(54,717,326)
Net book value:							
At 31 March 2012	10,208,652	—	353,341	2,921,114	13,483,107	15,384,951	28,868,058
At 31 March 2013	37,810,253	—	389,205	4,733,129	42,932,587	15,070,973	58,003,560
At 31 March 2014	58,543,360	—	384,140	3,952,767	62,880,267	16,492,945	79,373,212
At 30 June 2014	57,419,306	892,751	563,907	5,127,870	64,003,834	14,678,500	78,682,334

Notes:

- (i) All of the Group's investment properties are situated in Hong Kong and held under medium-term leases.
- (ii) All properties held under operating leases that would otherwise meet the definition of investment properties are classified as investment properties.
- (iii) The Group's investment properties were pledged against the bank loans, details of which are set out in note 18.
- (iv) During the three months ended 30 June 2014, the Group disposed of a machinery to a third party supplier at a consideration of HK\$1,200,000, which was then placed at the supplier as a prepayment for future purchases of machinery.

(a) Fixed assets held under finance leases

The Group entered into certain sale and leaseback arrangements with financing companies which were classified as finance leases during the Relevant Periods. At the end of the lease term the Group has the option to purchase the leased equipment at a price deemed to be a bargain purchase option. None of the leases includes contingent rentals. The machinery held under finance leases and their net book value is analysed as follows:

	At 31 March		At 30 June	
	2012	2013	2014	2014
	HK\$	HK\$	HK\$	HK\$
Cost — Capitalised finance leases	7,118,830	12,207,378	29,382,617	45,097,960
Accumulated depreciation	(2,248,499)	(3,685,413)	(8,378,665)	(10,406,862)
Net book value	<u>4,870,331</u>	<u>8,521,965</u>	<u>21,003,952</u>	<u>34,691,098</u>

During the years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014, additions to machinery and motor vehicles of the Group financed by new finance leases were HK\$1,413,474, HK\$5,887,584, HK\$21,649,589 and HK\$17,128,817 respectively.

(b) Fixed assets leased out under operating leases

As at 31 March 2012, 2013 and 2014 and 30 June 2014, the Group leased out its investment property to a third party under an operating lease. The lease runs for an initial period of four years and is cancellable after two years. The lease does not include contingent rentals.

The Group's total future minimum lease receipts under non-cancellable operating lease are receivable as follows:

	At 31 March		At 30 June	
	2012	2013	2014	2014
	HK\$	HK\$	HK\$	HK\$
Within 1 year	—	456,000	38,000	38,000
After 1 year but within 5 years	—	<u>38,000</u>	—	—
	—	<u>494,000</u>	<u>38,000</u>	<u>38,000</u>

(c) *Fair value of investment properties stated at cost less accumulated depreciation and impairment losses*

(i) *Fair value hierarchy*

The following table presents the fair value of the Group's investment property measured at the end of each reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value HK\$	Fair value measurements categorised into		
		Level 1 HK\$	Level 2 HK\$	Level 3 HK\$
Recurring fair value measurement				
Investment properties:				
- Residential — HK				
as at 31 March 2012	15,720,000	—	15,720,000	—
as at 31 March 2013	15,500,000	—	15,500,000	—
as at 31 March 2014	17,410,000	—	17,410,000	—
as at 30 June 2014	16,090,000	—	16,090,000	—

(ii) *Valuation techniques and inputs used in Level 2 fair value measurements*

The fair value of investment properties located in Hong Kong is determined by management using market comparison approach by reference to recent sales price of comparable properties on a price per square foot basis using market data which is publicly available.

13 Trade and other receivables

	2012	At 31 March 2013	2014	At 30 June 2014
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Trade debtors	15,382,634	56,036,175	72,971,463	59,337,489
Deposits, prepayments and other receivables (note (i))	974,322	1,129,077	1,959,257	3,037,417
Retention receivables (note (ii))	<u>19,970,072</u>	<u>31,073,028</u>	<u>50,823,051</u>	<u>61,628,503</u>
	<u>36,327,028</u>	<u>88,238,280</u>	<u>125,753,771</u>	<u>124,003,409</u>

Notes:

- (i) Except for the amounts of HK\$66,620, HK\$66,620, HK\$693,036 and HK\$746,036 as at 31 March 2012, 2013 and 2014 and 30 June 2014 respectively, which are expected to be recovered after one year, all of the remaining balances are expected to be recovered within one year.
- (ii) Except for the amounts of HK\$13,089,417, HK\$20,335,693, HK\$26,578,212 and HK\$37,383,664 as at 31 March 2012, 2013 and 2014 and 30 June 2014 respectively, which are expected to be recovered after one year, all of the remaining balances are expected to be recovered within one year.

(a) Ageing analysis

At 31 March 2012, 2013 and 2014 and 30 June 2014, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the invoice date (or date of revenue recognition, if earlier) and net of allowance for doubtful debts, is as follows:

	2012	At 31 March 2013	2014	At 30 June 2014
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Within 1 month	10,919,828	44,168,063	64,357,240	20,614,243
1 to 2 months	4,410,079	11,808,612	8,561,496	38,649,213
2 to 3 months	—	6,773	—	—
Over 3 months	<u>52,727</u>	<u>52,727</u>	<u>52,727</u>	<u>74,033</u>
	<u>15,382,634</u>	<u>56,036,175</u>	<u>72,971,463</u>	<u>59,337,489</u>

Trade debtors are normally due within 0-42 days from the date of billing. Further details on the Group's credit policy are set out in note 20(a).

(b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 1(h)(i)).

At 31 March 2012, 2013 and 2014 and 30 June 2014, none of the trade debtors was individually determined to be impaired.

(c) Trade debtors that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	2012	At 31 March	2014	At 30 June
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Neither past due nor impaired	10,919,828	33,684,615	56,632,264	9,781,024
Less than 1 month past due	4,410,079	22,292,060	16,285,166	46,534,092
1 to 3 months past due	—	6,773	1,306	2,948,340
Over 3 months past due	<u>52,727</u>	<u>52,727</u>	<u>52,727</u>	<u>74,033</u>
	<u>15,382,634</u>	<u>56,036,175</u>	<u>72,971,463</u>	<u>59,337,489</u>

Receivables which were neither past due nor impaired related to a range of customers for whom there was no recent history of default.

Receivables which were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

14 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

	At 31 March			At 30 June
	2012	2013	2014	2014
	HK\$	HK\$	HK\$	HK\$
Cash at banks and in hand	8,656,960	6,584,206	9,090,501	72,727,254
Bank overdrafts (note 18)	—	—	(5,922,755)	(16,439)
Cash and cash equivalents in the combined cash flow statements	<u>8,656,960</u>	<u>6,584,206</u>	<u>3,167,746</u>	<u>72,710,815</u>

(b) Reconciliation of (loss)/profit before taxation to cash (used in)/generated from operations:

Note	Year ended 31 March			Three months ended 30 June	
	2012	2013	2014	2013	2014
	HK\$	HK\$	HK\$	HK\$	HK\$
					(Unaudited)
Operating activities					
(Loss)/profit before taxation	(509,424)	53,653,296	68,250,294	15,295,480	22,253,969
Adjustments for:					
Finance costs	6(a) 562,448	1,643,422	1,305,896	315,274	229,371
Depreciation	6(c) 7,310,126	11,096,077	17,523,917	3,444,186	5,149,007
Gain on disposal of fixed assets	5 (1,174,730)	(1,763,381)	(2,612,481)	(1,061,092)	(1,035,560)
Changes in working capital:					
(Increase)/decrease in trade and other receivables	(10,678,595)	(51,911,252)	(37,515,491)	30,716,303	1,750,362
Decrease/(increase) in gross amounts due from customers for contract work	1,050,929	(40,627,076)	(3,517,062)	1,783,741	2,110,033
(Increase)/decrease in amounts due from related parties	(182,489)	(1,229,503)	(5,767,735)	2,083,481	305,841
Increase/(decrease) in amounts due to related parties	347,971	(326,409)	61,785	(75,226)	115,343
Increase/(decrease) in trade and other payables	2,892,055	76,227,609	(869,295)	833,645	2,431,178
(Decrease)/increase in gross amounts due to customers for contract work	<u>(1,860,486)</u>	<u>(70,551)</u>	<u>9,457,104</u>	<u>906,605</u>	<u>23,571,992</u>
Cash (used in)/generated from operations	<u>(2,242,195)</u>	<u>46,692,232</u>	<u>46,316,932</u>	<u>54,242,397</u>	<u>56,881,536</u>

15 Gross amounts due from/to customers for contract work

	At 31 March		At 30 June	
	2012	2013	2014	2014
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Gross amounts due from customers for contract work				
Contract costs incurred plus recognised profits less recognised losses	318,818,007	656,396,274	989,745,859	694,652,876
Less: Progress billings received and receivable	(311,831,524)	(608,782,715)	(938,615,238)	(645,632,288)
	<u>6,986,483</u>	<u>47,613,559</u>	<u>51,130,621</u>	<u>49,020,588</u>
Gross amounts due to customers for contract work				
Progress billings received and receivable	22,815,499	1,497,748	134,804,144	468,583,603
Less: Contract costs incurred plus recognised profits less recognised losses	(22,526,457)	(1,279,257)	(125,128,549)	(435,336,016)
	<u>289,042</u>	<u>218,491</u>	<u>9,675,595</u>	<u>33,247,587</u>

All gross amounts due from/to customers for contract work are expected to be recovered/ settled within one year.

As at 31 March 2014 and 30 June 2014, gross amounts due from customers for contract work included a balance of HK\$25,928,800 not yet certified by a customer. The customer is still in the process of finalising the contract sum of construction works performed by the Group. Taking into consideration the discussion between the Group and the customer, the directors consider that the Group could recover the balance on book from the customer upon finalisation of the contract sum.

In November 2014, the Group received certificates from the customer amounting to HK\$26,063,872 in connection with the construction works mentioned above.

16 Trade and other payables

	At 31 March			At 30 June
	2012	2013	2014	2014
	HK\$	HK\$	HK\$	HK\$
Trade payables	13,685,282	80,936,400	63,798,448	61,353,124
Retention payables (note (ii))	2,405,531	4,545,361	11,662,508	14,555,163
Fixed assets payables	—	5,790,000	3,371,584	—
Other payables and accruals	<u>7,649,569</u>	<u>14,486,230</u>	<u>23,637,740</u>	<u>41,821,587</u>
	<u>23,740,382</u>	<u>105,757,991</u>	<u>102,470,280</u>	<u>117,729,874</u>

Notes:

- (i) Save as disclosed in note 16(ii) below, all trade and other payables are expected to be settled within one year.
- (ii) Except for the amounts of HK\$564,742, HK\$1,994,630, HK\$7,805,174 and HK\$10,446,688 as at 31 March 2012, 2013 and 2014 and 30 June 2014 respectively, all of the remaining balances are expected to be settled within one year.
- (iii) An ageing analysis of trade payables based on the invoice date is as follows:

	At 31 March			At 30 June
	2012	2013	2014	2014
	HK\$	HK\$	HK\$	HK\$
Within 1 month	7,666,811	27,397,811	39,833,477	31,578,616
1 to 3 months	3,739,223	17,708,151	16,877,208	15,950,054
3 to 6 months	—	8,614,000	—	8,574,662
Over 6 months	<u>2,279,248</u>	<u>27,216,438</u>	<u>7,087,763</u>	<u>5,249,792</u>
	<u>13,685,282</u>	<u>80,936,400</u>	<u>63,798,448</u>	<u>61,353,124</u>

17 Obligations under finance leases

At 31 March 2012, 2013 and 2014 and 30 June 2014, the Group had obligations under finance leases repayable as follows:

	At 31 March				At 30 June			
	2012		2013		2014		2014	
	Present value of the minimum lease payments HK\$	Total minimum lease payments HK\$	Present value of the minimum lease payments HK\$	Total minimum lease payments HK\$	Present value of the minimum lease payments HK\$	Total minimum lease payments HK\$	Present value of the minimum lease payments HK\$	Total minimum lease payments HK\$
Within 1 year	1,505,583	1,669,065	2,887,486	3,188,520	7,054,417	7,649,882	11,383,593	12,180,060
After 1 year but within 2 years	1,094,039	1,190,160	2,609,294	2,965,556	7,080,001	7,221,113	10,807,949	11,203,612
After 2 years but within 5 years	1,434,261	1,546,195	2,315,567	2,391,238	3,118,159	3,185,046	6,013,228	6,107,309
	2,528,300	2,736,355	4,924,861	5,356,794	10,198,160	10,406,159	16,821,177	17,310,921
	<u>4,033,883</u>	<u>4,405,420</u>	<u>7,812,347</u>	<u>8,545,314</u>	<u>17,252,577</u>	<u>18,056,041</u>	<u>28,204,770</u>	<u>29,490,981</u>
Less: total future interest expenses		(371,537)		(732,967)		(803,464)		(1,286,211)
Present value of lease obligations		<u>4,033,883</u>		<u>7,812,347</u>		<u>17,252,577</u>		<u>28,204,770</u>

At 31 March 2012, 2013 and 2014 and 30 June 2014, finance leases of HK\$1,500,000, HK\$1,500,000, HK\$927,250 and HK\$768,349 were guaranteed by the Government of the Hong Kong Special Administrative Region (the "Hong Kong Government") respectively under the Small and Medium Enterprises Loan Guarantee Scheme.

18 Bank loans and overdrafts

At 31 March 2012, 2013 and 2014 and 30 June 2014, the bank loans and overdrafts were repayable as follows:

	At 31 March			At 30 June
	2012	2013	2014	2014
	HK\$	HK\$	HK\$	HK\$
Within 1 year or on demand	<u>10,872,118</u>	<u>10,206,234</u>	<u>18,287,112</u>	<u>22,341,457</u>

At 31 March 2012, 2013 and 2014 and 30 June 2014, the bank loans and overdrafts were secured as follows:

	At 31 March		At 30 June	
	2012	2013	2014	2014
	HK\$	HK\$	HK\$	HK\$
Unsecured bank overdrafts (note 14(a))	—	—	5,922,755	16,439
Bank loans				
- secured	7,500,000	6,831,114	6,145,714	5,971,968
- unsecured	<u>3,372,118</u>	<u>3,375,120</u>	<u>6,218,643</u>	<u>16,353,050</u>
	<u>10,872,118</u>	<u>10,206,234</u>	<u>18,287,112</u>	<u>22,341,457</u>

The bank loans and bank overdrafts bear interest ranging from 2.50% to 6.25%, 2.50% to 6.25%, 2.50% to 6.75% and 2.50% to 6.75% per annum for the years ended 31 March 2012, 2013 and 2014 and the three months ended 30 June 2014 respectively.

At 31 March 2012, 2013 and 2014 and 30 June 2014, bank loans of HK\$7,500,000, HK\$6,831,114, HK\$6,145,714 and HK\$5,971,968 were secured by a residential unit held by the Group respectively (note 12).

At 31 March 2012, 2013 and 2014 and 30 June 2014, bank loans and bank overdrafts of HK\$514,811, HK\$174,954, HK\$4,800,000 and HK\$16,439 were guaranteed by the Hong Kong Government under the Special Loan Guarantee Scheme respectively.

At 30 June 2014, bank loans of HK\$9,600,000 were guaranteed by the Hong Kong Government under the Small and Medium Enterprises Financing Guarantee Scheme.

In addition, bank loans of HK\$8,863,977, HK\$6,831,114, HK\$6,145,714 and HK\$5,971,968 at 31 March 2012, 2013 and 2014 and 30 June 2014 respectively were classified as current interest-bearing borrowings due to the fact that the corresponding loan agreements include a clause that the bank has an unconditional right to call the loan at any time notwithstanding any other terms and maturity as set out in the loan agreements.

19 Capital and reserves

(a) Movement in components of equity

The reconciliation between the opening and closing balances of each component of the Group's combined equity is set out in the combined statements of changes in equity.

(b) Share capital

The Company was incorporated on 15 July 2014 and the Reorganisation of the Group was completed on 5 December 2014. For the purpose of this report, share capital as at 31 March 2012, 2013 and 2014 and 30 June 2014 represents the aggregate share capital of the subsidiaries of the Group which existed at the respective dates.

(c) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to fund its construction business and provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to any externally imposed capital requirements.

20 Financial risk management and fair values

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to bank deposits and trade and other receivables. The Group has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions and counterparties will fail to meet their obligations.

In respect of trade and other receivables, individual credit evaluations are performed as part of the acceptance procedures for new construction contracts. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 0-42 days from the date of billing. Normally, the Group does not obtain collateral from customers.

In respect of rental income from leasing properties, sufficient rental deposits are held to cover potential exposure to credit risk. An ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimise any credit risk associated with these receivables. Adequate impairment losses have been made for estimated irrecoverable amounts.

At the end of the reporting period, the Group has significant concentration of credit risk in a few customers. In view of their credit standing, good payment record and long established relationships with the Group, management does not consider the Group's credit risk to be significant. At 31 March 2012, 2013 and 2014 and 30 June 2014, 66%, 67%, 47% and 44% of the total trade debtors was due from the Group's largest customer respectively and 99%, 100%, 100% and 100% of the total trade debtors was due from the Group's five largest customers respectively.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 13.

(b) Liquidity risk

Individual subsidiaries within the Group are responsible for their own cash management, including the raising of loans to cover the expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed funding lines from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities as at 31 March 2012, 2013 and 2014 and 30 June 2014 of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at 31 March 2012, 2013 and 2014 and 30 June 2014) and the earliest date the Group can be required to pay:

	At 31 March 2012				
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years
Bank loans and overdrafts	10,872,118	11,959,123	11,959,123	—	—
Trade and other payables	21,334,851	21,334,851	21,334,851	—	—
Retention payables	2,405,531	2,405,531	1,840,789	545,549	19,193
Obligations under finance leases	4,033,883	4,405,420	1,669,065	1,190,160	1,546,195
Amounts due to related parties	<u>32,051,102</u>	<u>32,051,102</u>	<u>32,051,102</u>	<u>—</u>	<u>—</u>
	<u>70,697,485</u>	<u>72,156,027</u>	<u>68,854,930</u>	<u>1,735,709</u>	<u>1,565,388</u>

At 31 March 2013

	Carrying amount <i>HK\$</i>	Total contractual undiscounted cash flow <i>HK\$</i>	Within 1 year or on demand <i>HK\$</i>	More than 1 year but less than 2 years <i>HK\$</i>	More than 2 years but less than 5 years <i>HK\$</i>
Bank loans and overdrafts	10,206,234	11,006,024	11,006,024	—	—
Trade and other payables	101,212,630	101,212,630	101,212,630	—	—
Retention payables	4,545,361	4,545,361	2,550,731	1,906,915	87,715
Obligations under finance leases	7,812,347	8,545,314	3,188,520	2,965,556	2,391,238
Amounts due to related parties	<u>15,277,557</u>	<u>15,277,557</u>	<u>15,277,557</u>	<u>—</u>	<u>—</u>
	<u>139,054,129</u>	<u>140,586,886</u>	<u>133,235,462</u>	<u>4,872,471</u>	<u>2,478,953</u>

At 31 March 2014

	Carrying amount <i>HK\$</i>	Total contractual undiscounted cash flow <i>HK\$</i>	Within 1 year or on demand <i>HK\$</i>	More than 1 year but less than 2 years <i>HK\$</i>	More than 2 years but less than 5 years <i>HK\$</i>
Bank loans and overdrafts	18,287,112	19,109,844	19,109,844	—	—
Trade and other payables	90,807,772	90,807,772	90,807,772	—	—
Retention payables	11,662,508	11,662,508	3,857,334	4,696,891	3,108,283
Obligations under finance leases	17,252,577	18,056,041	7,649,882	7,221,113	3,185,046
Amounts due to related parties	<u>14,900,214</u>	<u>14,900,214</u>	<u>14,900,214</u>	<u>—</u>	<u>—</u>
	<u>152,910,183</u>	<u>154,536,379</u>	<u>136,325,046</u>	<u>11,918,004</u>	<u>6,293,329</u>

At 30 June 2014

	Carrying amount HK\$	Total contractual undiscounted cash flow HK\$	Within 1 year or on demand HK\$	More than 1 year but less than 2 years HK\$	More than 2 years but less than 5 years HK\$
Bank loans and overdrafts	22,341,457	23,178,338	23,178,338	—	—
Trade and other payables	103,174,711	103,174,711	103,174,711	—	—
Retention payables	14,555,163	14,555,163	4,108,475	10,423,050	23,638
Obligations under finance leases	28,204,770	29,490,981	12,180,060	11,203,612	6,107,309
Amounts due to related parties	<u>15,015,557</u>	<u>15,015,557</u>	<u>15,015,557</u>	<u>—</u>	<u>—</u>
	<u>183,291,658</u>	<u>185,414,750</u>	<u>157,657,141</u>	<u>21,626,662</u>	<u>6,130,947</u>

(c) *Interest rate risk*

The Group's interest rate risk arises primarily from bank borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group normally borrows short-term bank loans which have short-term maturity within one year in order to limit its exposure to interest rate risk. The Group's interest rate profile as monitored by management is set out in (i) below.

The interest rates and terms of repayment of interest-bearing borrowings of the Group are disclosed in note 18 to the Financial Information.

(i) *Interest rate profile*

The following table details the interest rate profile of the Group's borrowings.

	2012		At 31 March 2013		2014		At 30 June 2014	
	Effective interest rate %	Amount HK\$	Effective interest rate %	Amount HK\$	Effective interest rate %	Amount HK\$	Effective interest rate %	Amount HK\$
Variable rate borrowings:								
Bank loans	2.50-6.25	10,872,118	2.50-6.25	10,206,234	2.50-3.62	12,364,357	2.50-3.63	22,325,018
Bank overdraft	—	—	—	—	6.75	5,922,755	6.75	16,439
		<u>10,872,118</u>		<u>10,206,234</u>		<u>18,287,112</u>		<u>22,341,457</u>

(ii) Sensitivity analysis

At 31 March 2012, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's loss after taxation and decreased/increased the total equity by approximately HK\$90,782 in response to the general increase/decrease in interest rates.

At 31 March 2013 and 2014 and 30 June 2014, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after taxation and total equity by approximately HK\$85,222, HK\$152,697 and HK\$186,551, respectively, in response to the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The impact on the Group's loss/profit after tax and total equity is estimated as an annualised impact on interest expense of such changes in interest rates. The analysis has been performed on the same basis during the Relevant Periods.

(d) Foreign currency risk

The Group has no significant exposure to foreign currency risk as substantially all of the Group's transactions are denominated in Hong Kong dollars.

(e) Fair values measurement

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at 31 March 2012, 2013 and 2014 and 30 June 2014.

21 Commitments*(a) Capital commitments outstanding at 31 March 2012, 2013 and 2014 and 30 June 2014 not provided for in the Financial Information were as follows:*

	At 31 March			At 30 June
	2012	2013	2014	2014
	HK\$	HK\$	HK\$	
Contracted for	<u>—</u>	<u>—</u>	<u>1,415,190</u>	<u>1,550,000</u>

(b) *At 31 March 2012, 2013 and 2014 and 30 June 2014, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:*

	At 31 March			At 30 June
	2012	2013	2014	2014
	HK\$	HK\$	HK\$	HK\$
Within 1 year	436,000	696,000	2,854,370	3,122,296
After 1 year but within 5 years	—	—	3,336,830	2,712,646
	<u>436,000</u>	<u>696,000</u>	<u>6,191,200</u>	<u>5,834,942</u>

22 Material related party transactions

The Group entered into the following material related party transactions.

During the Relevant Periods, the directors are of the view that the following are related parties of the Group:

Name of party	Relationships
Mr. Leung Kam Chuen	Shareholder
Mr. Kwan Wai Ming	Shareholder
Mr. Leung Chun Sing	Son of Mr. Leung Kam Chuen
Ms. Leung Pui Lam	Daughter of Mr. Leung Kam Chuen
Chun Sing Holding Limited	55% and 45% owned by Mr. Leung Kam Chuen and Mr. Kwan Wai Ming respectively
Chun Sing Civil Engineering Company Limited	55% and 45% owned by Mr. Leung Kam Chuen and Mr. Kwan Wai Ming respectively
Fortune Famous Engineering (Transportation) Company Limited	50% and 50% owned by Mr. Leung Kam Chuen and Mr. Kwan Wai Ming respectively
Hongkong Gold Gate Enterprise Limited	50% and 50% owned by Mr. Leung Kam Chuen and Mr. Kwan Wai Ming respectively
Group Team Limited	50% and 50% owned by Mr. Leung Kam Chuen and Mr. Kwan Wai Ming respectively
Chi Fu Engineering Limited	15% and 15% owned by Mr. Leung Kam Chuen and Mr. Kwan Wai Ming respectively before 5 June 2013 and 55% and 45% owned by Mr. Leung Kam Chuen and Mr. Kwan Wai Ming respectively after 5 June 2013
Able Joy Limited	100% owned by spouse of Mr. Kwan Wai Ming

(a) Transactions with key management personnel

All members of key management personnel are the directors of the Group and their remuneration is disclosed in note 8.

(b) Guarantee from related parties

At 31 March 2012, 2013 and 2014 and 30 June 2014, bank borrowings of HK\$10,872,118, HK\$10,206,234, HK\$18,287,112 and HK\$22,341,457 were jointly guaranteed by Mr. Leung Kam Chuen and Mr. Kwan Wai Ming respectively.

At 31 March 2012, 2013 and 2014 and 30 June 2014, obligations under finance leases of HK\$4,033,883, HK\$7,812,347, HK\$17,252,577 and HK\$28,204,770 were jointly guaranteed by Mr. Leung Kam Chuen and Mr. Kwan Wai Ming respectively.

The directors of the Company confirm that all of the outstanding guarantees above will be released before the listing of the Company's shares on the Stock Exchange.

(c) Recurring transactions

	Year ended 31 March			Three months ended	
	2012	2013	2014	2013	2014
	HK\$	HK\$	HK\$	HK\$	HK\$
					<i>(Unaudited)</i>
Subcontracting income received from					
- Chi Fu Engineering Limited	3,414,366	5,636,574	17,087,690	4,966,519	—
Rental income received from					
- Chi Fu Engineering Limited	791,646	1,296,169	—	—	—
Subcontracting fee paid to					
- Chi Fu Engineering Limited	(670,599)	(50,900)	(201,408)	(72,911)	—
Purchase of machinery from					
- Chi Fu Engineering Limited	—	—	(200,000)	(200,000)	—
Sales of motor vehicle to					
- Chi Fu Engineering Limited	—	—	130,000	130,000	—
Recharge of office rent, rates and management fee from					
- Chun Sing Civil Engineering Company Limited	(662,610)	(697,029)	(717,342)	(179,336)	(67,900)
Lease of motor vehicles from					
- Fortune Famous Engineering (Transportation) Company Limited	(288,000)	(308,000)	(288,000)	(72,000)	(72,000)
- Hongkong Gold Gate Enterprise Limited	—	—	(300,000)	(75,000)	(75,000)
	<u>(288,000)</u>	<u>(308,000)</u>	<u>(588,000)</u>	<u>(147,000)</u>	<u>(147,000)</u>
Lease of director's quarter from					
- Able Joy Limited	<u>(336,000)</u>	<u>(360,000)</u>	<u>(360,000)</u>	<u>(90,000)</u>	<u>(30,000)</u>

(d) Non-recurring transaction

On 27 June 2014, the Group entered into a sales and purchase agreement with Mr. Leung Chun Sing and Ms. Leung Pui Lam, the son and daughter of Mr. Leung, in relation to the disposal of a parking space, which was classified as investment property, at a consideration of HK\$1.7 million.

(e) Balances with related parties

As at 31 March 2012, 2013 and 2014 and 30 June 2014, the Group had the following balances with related parties:

	2012	At 31 March		2014
	<i>HK\$</i>	2013		2014
		<i>HK\$</i>		<i>HK\$</i>
			At 30 June	
			2014	
			<i>HK\$</i>	
(i) Amounts due from related parties				
- Chi Fu Engineering Limited	494,060	2,252,100	7,922,835	7,641,994
- Chun Sing Civil Engineering Company Limited	195,355	195,355	195,355	195,355
- Fortune Famous Engineering (Transportation) Company Limited	103,132	—	—	—
- Group Team Limited	—	—	65,000	65,000
- Hongkong Gold Gate Enterprise Limited	588,497	163,092	195,092	170,092
	<u>1,381,044</u>	<u>2,610,547</u>	<u>8,378,282</u>	<u>8,072,441</u>
Amounts due from shareholders				
- Mr. Leung Kam Chuen	—	—	7,428,536	7,697,926
- Mr. Kwan Wai Ming	—	1,035,616	6,680,825	6,990,332
	<u>—</u>	<u>1,035,616</u>	<u>14,109,361</u>	<u>14,688,258</u>
	<u>1,381,044</u>	<u>3,646,163</u>	<u>22,487,643</u>	<u>22,760,699</u>

	2012	At 31 March	2014	At 30 June
	<i>HK\$</i>	2013	<i>HK\$</i>	2014
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
(ii) Amounts due to related parties				
- Chun Sing Civil Engineering Company Limited	1,111,831	475,860	415,202	483,102
- Chun Sing Holding Limited	136,492	131,492	126,492	126,492
- Fortune Famous Engineering (Transportation) Company Limited	—	24,562	176,561	248,561
- Hongkong Gold Gate Enterprise Limited	—	290,000	265,444	240,887
	<u>1,248,323</u>	<u>921,914</u>	<u>983,699</u>	<u>1,099,042</u>
Amounts due to shareholders				
- Mr. Leung Kam Chuen	17,780,001	8,093,211	7,654,083	7,654,083
- Mr. Kwan Wai Ming	13,022,778	6,262,432	6,262,432	6,262,432
	<u>30,802,779</u>	<u>14,355,643</u>	<u>13,916,515</u>	<u>13,916,515</u>
	<u>32,051,102</u>	<u>15,277,557</u>	<u>14,900,214</u>	<u>15,015,557</u>

The amounts due from/to related parties are unsecured, interest free and have no fixed terms of repayment.

23 Possible impact of amendments, new standards and interpretations issued but not yet effective for the Relevant Periods

Up to the date of issue of the Financial Information, the HKICPA has issued a few amendments and new standards which are not yet effective for the Relevant Periods and which have not been adopted in the Financial Information. These include the following which may be relevant to the Group.

*Effective for accounting periods
beginning on or after*

Amendments to HKAS 32, <i>Financial instruments: Presentation — Offsetting financial assets and financial liabilities</i>	1 January 2014
Amendments to HKAS 36, <i>Impairment of assets — Recoverable amount disclosure for non-financial assets</i>	1 January 2014
HKFRS 15, <i>Revenue from contracts with customers</i>	1 January 2017
HKFRS 9, <i>Financial instruments</i>	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

C. SUBSEQUENT EVENTS

The following significant events took place subsequent to 30 June 2014:

(a) Group reorganisation

The Company was incorporated in the Cayman Islands on 15 July 2014. The companies comprising the Group underwent and completed a Reorganisation in preparation for the listing of the Company's shares on the Stock Exchange. Further details of the Reorganisation are set out in the section headed "Company History and Reorganisation" in the Prospectus. After completion of the Reorganisation on 5 December 2014, the Company became the holding company of the Group.

(b) Disposal of an investment property

On 7 July 2014, the Group entered into a sales and purchase agreement with Mr. Leung and Mr. Kwan in relation to the disposal of the residential property at a consideration of HK\$15 million.

D. FINANCIAL INFORMATION OF THE COMPANY

The Company was incorporated on 15 July 2014 with authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each and has not carried on any business since the date of incorporation except for the Reorganisation. One nil-paid share was allotted and issued to the initial subscriber of the Company on 15 July 2014.

On 5 December 2014, it was resolved to increase the authorised share capital of the Company from HK\$380,000 to HK\$20,000,000 by the creation of an additional 1,962,000,000 shares, each ranking pari passu with the shares then in issue in all respects.

On 5 December 2014, pursuant to the Reorganisation and as consideration for the acquisition by the Company of the entire issued share capital of Bojin International Limited and Eternity Sail Limited from Golden Roc Holdings Limited (“Golden Roc”), the one nil-paid share then held by Golden Roc was credited as fully paid at par, and 901,249,999 shares, all credited as fully paid at par, were allotted and issued to Golden Roc.

E. SUBSEQUENT FINANCIAL STATEMENTS AND DIVIDENDS

No audited financial statements have been prepared by the Company, or its subsidiaries in respect of any period subsequent to 30 June 2014. On 22 August 2014 and 4 December 2014, Chun Sing Engineering Company Limited declared special dividends of HK\$40 million and HK\$20 million respectively. The dividend of HK\$40 million was paid on 25 August 2014 while the remaining dividend of HK\$20 million has not been paid as at the date of this report. Save as disclosed above, no dividend has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2014.

Yours faithfully,

KPMG

Certified Public Accountants

Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the Accountants' Report prepared by KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set forth in Appendix I to this Prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this Prospectus and the Accountants' Report set forth in Appendix I to this Prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of our adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules and on the basis of the notes set out below, for the purpose of illustrating the effect of the Share Offer on our combined net tangible assets as at 30 June 2014 as if the Share Offer had taken place on 30 June 2014.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of our financial position following the Share Offer. It is prepared based on our combined net assets as of 30 June 2014 as derived from our combined financial information set forth in the Accountants' Report in Appendix I, and adjusted as described below.

	Combined net tangible assets attributable to equity shareholders of our Company as at 30 June 2014⁽¹⁾ HK\$'000	Estimated net proceeds from the Share Offer⁽²⁾ HK\$'000	Unaudited pro forma adjusted net tangible assets⁽³⁾ HK\$'000	Unaudited pro forma adjusted net tangible assets per Share⁽⁴⁾ HK\$
Based on an Offer Price of HK\$0.60 per share	<u>114,808</u>	<u>68,524</u>	<u>183,332</u>	<u>0.18</u>

Notes:

- (1) The combined net tangible assets of our Group as at 30 June 2014 is compiled based on the combined net assets included in the Accountants' Report as set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Share Offer are based on 128,750,000 New Shares at the Offer Price of HK\$0.60 per Offer Share, after deduction of the underwriting fees and other listing-related expenses of HK\$8.8 million payable by our Group (taking into account the effect of listing-related expenses of approximately HK\$2.7 million that have been accounted for prior to 30 June 2014, listing-related expenses of approximately HK\$4.0 million borne by the Selling Shareholder for the sale of Sale Shares and approximately HK\$7.5 million that the Selling Shareholder has agreed to reimburse in its capacity as shareholder of the Company).

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

- (3) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to 30 June 2014, in particular, the unaudited pro forma adjusted net tangible asset value per Share has not been adjusted for the effect of dividends of HK\$60 million declared and paid by our Group subsequent to 30 June 2014. Had the dividends been taken into account, the unaudited pro forma adjusted net tangible asset value per Share would have been reduced to HK\$0.12 per Share based on the Offer Price of HK\$0.60 per Share.
- (4) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,030,000,000 Shares were in issue immediately following the completion of the Share Offer. It does not take into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate on issue Shares and Repurchase Mandate.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group’s pro forma financial information for the purpose of incorporation in this prospectus.



8th Floor
Prince’s Building
10 Chater Road
Central
Hong Kong

15 December 2014

**INDEPENDENT REPORTING ACCOUNTANTS’ ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF CHUN SING ENGINEERING HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Chun Sing Engineering Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 30 June 2014 and related notes as set out in Part A of Appendix II to the prospectus dated 15 December 2014 (the “Prospectus”) issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the “Public Offering”) on the Group’s financial position as at 30 June 2014 as if the Public Offering had taken place at 30 June 2014. As part of this process, information about the Group’s financial position as at 30 June 2014 has been extracted by the Directors from the Group’s historical financial statements included in the Accountants’ Report as set out in Appendix I to the Prospectus.

Directors’ Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“HKSAE”) 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 30 June 2014 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

- a) the pro forma financial information has been properly compiled on the basis stated;
- b) such basis is consistent with the accounting policies of the Group, and
- c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG

Certified Public Accountants

Hong Kong

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 15 July 2014 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "Memorandum") and the Amended and Restated Articles of Association (the "Articles").

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and since the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 8 December 2014. The following is a summary of certain provisions of the Articles:

- (a) **Shares**
 - (i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

- (ii) *Share certificates*

Every person whose name is entered as a member in the register of members shall be entitled to receive a certificate for his shares. No shares shall be issued to bearer.

Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, and shall be signed autographically by one Director and the Secretary, or by 2 Directors, or by some other person(s) appointed by the Board for the purpose. As regards any certificates for shares or debentures or other securities of the Company, the Board may by resolution determine that such signatures or either of them shall be

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

dispensed with or affixed by some method or system of mechanical signature other than autographic or may be printed thereon as specified in such resolution or that such certificates need not be signed by any person. Every share certificate issued shall specify the number and class of shares in respect of which it is issued and the amount paid thereon and may otherwise be in such form as the Board may from time to time prescribe. A share certificate shall relate to only one class of shares, and where the capital of the Company includes shares with different voting rights, the designation of each class of shares, other than those which carry the general right to vote at general meetings, must include the words “restricted voting” or “limited voting” or “non-voting” or some other appropriate designation which is commensurate with the rights attaching to the relevant class of shares. The Company shall not be bound to register more than 4 persons as joint holders of any share.

(b) **Directors**

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that upon the happening of a specified event or upon a given date and either at the option of the Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) *Power to dispose of the assets of the Company or any subsidiary*

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iii) *Compensation or payments for loss of office*

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(iv) *Loans and provision of security for loans to Directors*

There are provisions in the Articles prohibiting the making of loans to Directors and their close associates which are equivalent to provisions of Hong Kong law prevailing at the time of adoption of the Articles.

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(v) *Disclosure of interest in contracts with the Company or with any of its subsidiaries*

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and, upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any Share by reason that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposal in which he or his close associate(s) is/are materially interested, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters namely:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares or debentures or other securities of or by 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 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 associate(s) 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 generally accorded to the employees to which such scheme or fund relates; or

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

(ee) 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.

(vi) ***Remuneration***

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree or failing agreement, equally, except that in such event any Director holding office for only a portion of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he has held office. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with other companies (being subsidiaries of the Company or with which the Company is associated in business), or may make contributions out of the Company's monies to, such schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

In addition, the Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) *Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

At each annual general meeting, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of such notices will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting and the minimum length of the period during which such notices to the Company may be given must be at least 7 days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to the Board or retirement therefrom.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. The number of Directors shall not be less than two.

In addition to the foregoing, the office of a Director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office or head office of the Company for the time being or tendered at a meeting of the Board;

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

- (bb) if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;
- (cc) if, without special leave, he is absent from meetings of the Board for six (6) consecutive months, and the Board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles;
- (gg) if he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or
- (hh) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director or Directors and other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(viii) *Borrowing powers*

Pursuant to the Articles, the Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The provisions summarized above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of the Company.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

(ix) *Register of Directors and officers*

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(x) *Proceedings of the Board*

Subject to the Articles, the Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) **Alterations to the constitutional documents**

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed by the Company by special resolution.

(d) **Variation of rights of existing shares or classes of shares**

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings shall *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) **Alteration of capital**

The Company may, by an ordinary resolution of its members, (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; and (e) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorized and subject to any conditions prescribed by law.

Reduction of share capital — subject to the Companies Law and to confirmation by the court, a company limited by shares may, if so authorised by its Articles of Association, by special resolution, reduce its share capital in any way.

(f) Special resolution — majority required

In accordance with the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. However, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 clear days' notice has been given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 14 clear days' notice has been given and held in accordance with the Articles. A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(g) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote, and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purpose as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded or otherwise required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles). A poll may be demanded by:

- (i) the chairman of the meeting; or
- (ii) at least two members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s), be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s), as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

(h) Annual general meetings

The Company must hold an annual general meeting each year. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(i) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the assets and liabilities of the Company and of all other matters required by the Companies Law necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account or book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who has, in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles), consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles), and must be sent to the shareholders not less than 21 days before the general meeting to those shareholders that have consented and elected to receive the summarized financial statements.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(j) Notices of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution must be called by at least 21 days' notice in writing, and any other extraordinary general meeting shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting, and particulars of the resolution(s) to be considered at that meeting, and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in the Company's register of members or by leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available. Subject to the Companies Law and the Listing Rules, a notice or document may be served or delivered by the Company to any member by electronic means to such address as may from time to time be authorised by the member concerned or by publishing it on a website and notifying the member concerned that it has been so published.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the issued shares giving that right.

All business transacted at an extraordinary general meeting shall be deemed special business and all business shall also be deemed special business where it is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of Directors in place of those retiring;
- (dd) the appointment of auditors;
- (ee) the fixing of the remuneration of the Directors and of the auditors;
- (ff) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares of the Company representing not more than 20% in nominal value of its existing issued share capital (or such other percentage as may from time to time be specified in the rules of the Stock Exchange) and the number of any securities repurchased by the Company since the granting of such mandate; and
- (gg) the granting of any mandate or authority to the Board to repurchase securities in the Company.

(k) **Transfer of shares**

Subject to the Companies Law, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve provided always that it shall be in such form prescribed by the Stock Exchange and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers in any case in which it in its discretion thinks fit to do so, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share option scheme upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognize any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules (as defined in the Articles), be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

(l) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all members alike.

(m) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(n) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY 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, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared on the share capital of the Company, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of the Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such address as the holder or joint holders may in writing so direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20 % per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(o) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

(p) Calls on shares and forfeiture of shares

The Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and it shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(q) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. However, the members of the Company will have such rights as may be set forth in the Articles. The Articles provide that for so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

of member is closed) without charge and require the provision to him of copies or extracts thereof in all respects as if the Company were incorporated under and were subject to the Companies Ordinance.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may, from time to time, think fit.

(r) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(s) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(t) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, on the shares held by them respectively.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

In the event that the Company is wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(u) **Untraceable members**

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

In accordance with the Articles, the Company is entitled to sell any of the shares of a member who is untraceable if:

- (i) all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years;
- (ii) upon the expiry of the 12 years and 3 months period (being the 3 months notice period referred to in sub-paragraph (iii)), the Company has not during that time received any indication of the existence of the member; and
- (iii) the Company has caused an advertisement to be published in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the stock exchange of the Relevant Territory (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(v) **Subscription rights reserve**

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 15 July 2014 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

As an exempted company, the Company must conduct its operations mainly outside the Cayman Islands. Moreover, the Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) Share capital

In accordance with the Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, the Companies Law provides that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

It is further provided by the Companies Law that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

The Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company when proposing to grant such financial assistance discharge their duties of care and acting in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. Nonetheless, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares without the manner and terms of purchase first being authorized by an ordinary resolution of the company. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Under Section 37A(1) the Companies Law, shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if (a) the memorandum and articles of association of the company do not prohibit it from holding treasury shares; (b) the relevant provisions of the memorandum and articles of association (if any) are complied with; and (c) the company is authorised in accordance with the company's articles of association or by a resolution of the directors to hold such shares in the name

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

of the company as treasury shares prior to the purchase, redemption or surrender of such shares. Shares held by a company pursuant to section 37A(1) of the Companies Law shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of sections 34 and 37A(7) of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see sub-paragraph 2(n) of this Appendix for further details). Section 37A(7)(c) of the Companies Law provides that for so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions thereto) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge:

- (i) an act which is *ultra vires* the company or illegal;
- (ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and
- (iii) an irregularity in the passing of a resolution the passage of which requires a qualified (or special) majority which has not been obtained.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members thereof holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report thereon.

Moreover, any member of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions in the Companies Law on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interest of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

Section 59 of the Companies Law provides that a company shall cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters with respect to which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Section 59 of the Companies Law further states that proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If the Company keeps its books of account at any place other than at its registered office or at any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) in addition, that no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of twenty years from 5 August 2014.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

The Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the Articles provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of the company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. The Companies Law contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(o) Winding up

A Cayman Islands company may be wound up either by (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company occurs where the Company so resolves by special resolution that it be wound up voluntarily, or, where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due; or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or where the event occurs on the occurrence of which the memorandum or articles provides that the company is to be wound up. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators shall be appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

liquidation of the company in the interests of the contributories and creditors. A supervision order shall take effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, there may be appointed one or more persons to be called an official liquidator or official liquidators; and the court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one persons are appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(p) **Reconstructions**

Reconstructions and amalgamations are governed by specific statutory provisions under the Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member would have the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, nonetheless the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(q) **Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

(r) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph "Documents Available for Inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 15 July 2014. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 15 September 2014 and our principal place of business in Hong Kong is at Unit 2307-08, 23/F., Elite Centre, 22 Hung To Road, Kwun Tong, Kowloon, Hong Kong. Loong & Yeung of Suites 2001-2006, 20/F, Jardine House, 1 Connaught Place, Central, Hong Kong has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company is incorporated in the Cayman Islands, our Company is subject to the relevant laws of the Cayman Islands and our constitution which comprises the Memorandum and the Articles. A summary of the relevant aspects of the Companies Law and certain provisions of the Articles is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

- (a) As at the date of incorporation of our Company, the authorised share capital was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. One Share was allotted and issued nil-paid to the subscriber to the memorandum and articles of association of our Company on 15 July 2014, which was subsequently transferred to Golden Roc on the same date.
- (b) On 5 December 2014, our sole Shareholder resolved to increase the authorised share capital of our Company from HK\$380,000 to HK\$20,000,000 by the creation of an additional 1,962,000,000 Shares, each ranking pari passu with our Shares then in issue in all respects.
- (c) Pursuant to the Reorganisation and as consideration for the acquisition by our Company of the entire issued share capital of Bojin International and Eternity Sail from Golden Roc, on 5 December 2014, (i) the one nil-paid Share then held by Golden Roc was credited as fully paid at par, and (ii) 901,249,999 Shares, all credited as fully paid at par, were allotted and issued to Golden Roc.
- (d) Immediately following completion of the Share Offer, and taking no account our Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme, 1,030,000,000 Shares will be issued fully paid or credited as fully paid, and 970,000,000 Shares will remain unissued.

- (e) Other than pursuant to the general mandate to issue Shares referred to in the paragraph “Further Information about our Company — Written resolutions of our sole Shareholder passed on 8 December 2014” in this appendix, and pursuant to the Share Option Scheme, our Company does not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.
- (f) Save as disclosed in this prospectus, there has been no alteration in our Company’s share capital since its incorporation.

3. Written resolutions of our sole Shareholder passed on 8 December 2014

By written resolutions of our sole Shareholder passed on 8 December 2014:

- (a) our Company approved and adopted the Memorandum and the Articles, the material terms of which are summarised in Appendix III to this prospectus;
- (b) conditional on the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and our Shares to be issued as mentioned in this prospectus (including any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme) and on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the date falling 30 days after the date of this prospectus:
 - (i) the Share Offer was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer to rank *pari passu* with the then existing Shares in all respects;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “Share Option Scheme” in this appendix, were approved and adopted and our Directors were authorised, subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;

- (c) a general unconditional mandate was given to our Directors to allot, issue and deal with, otherwise than by way of rights or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any Share allotted in lieu of the whole or part of a dividend on our Shares in accordance with the Articles or pursuant to a specific authority granted by our Shareholders or pursuant to the Share Offer, Shares with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer but excluding any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme, and such mandate to remain in effect until the earliest of:
- (i) the conclusion of the next annual general meeting of our Company; or
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;
- (d) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate of the nominal value of the share capital of our Company in issue immediately following completion of the Share Offer but excluding any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme, and such mandate to remain in effect until the earliest of:
- (i) the conclusion of the next annual general meeting of our Company; or
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting; and
- (e) the general unconditional mandate mentioned in sub-paragraph (c) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (d) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer but excluding any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme.

4. Corporate Reorganisation

In preparation for the Listing, the companies comprising our Group underwent the Reorganisation to rationalise our Group's structure in preparation for the Listing, pursuant to which our Company became the holding company of our Group. The Reorganisation included the following major steps:

- (a) Golden Roc was incorporated in the BVI with limited liability on 5 June 2014 and is authorised to issue a maximum of 50,000 shares of US\$1 each. 55 and 45 shares of Golden Roc (representing 55% and 45% of the entire issued share capital of Golden Roc respectively) were allotted and issued to Mr. Leung and Mr. Kwan respectively, on 7 July 2014.
- (b) Bojin International was incorporated in the BVI with limited liability on 5 June 2014 and is authorised to issue a maximum of 50,000 shares of US\$1 each. 1 share of Bojin International (representing the entire issued share capital of Bojin International) was allotted and issued to Golden Roc on 8 July 2014.
- (c) Eternity Sail was incorporated in the BVI with limited liability on 2 January 2014 and is authorised to issue a maximum of 50,000 shares of US\$1 each. 1 share of Eternity Sail (representing the entire issued share capital of Eternity Sail) was allotted and issued to Golden Roc on 8 July 2014.
- (d) On 15 July 2014, our Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares with a nominal value of HK\$0.01 per share. One nil-paid Share was allotted and issued to the subscriber to the memorandum and articles of association of our Company, which was later transferred to Golden Roc on the same date.
- (e) On 22 August 2014, Bojin International acquired 5,500 ordinary shares and 4,500 ordinary shares of Chun Sing Engineering (representing 55% and 45% of the entire issued share capital of Chun Sing Engineering respectively) from Mr. Leung and Mr. Kwan respectively, at the respective consideration of HK\$5,500 and HK\$4,500. After the aforesaid acquisition, all shares of Chun Sing Engineering in issue were owned by Bojin International.
- (f) On 22 August 2014, Eternity Sail acquired 33,000 ordinary shares and 27,000 ordinary shares of Chun Sing Machinery (representing 55% and 45% of the entire issued share capital of Chun Sing Machinery respectively) from Mr. Leung and Mr. Kwan respectively at the respective consideration of HK\$33,000 and HK\$27,000. After the aforesaid acquisition, all shares of Chun Sing Machinery in issue were owned by Eternity Sail.
- (g) On 5 December 2014, the authorised share capital of our Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of an additional 1,962,000,000 Shares, each ranking pari passu with our Shares then in issue in all respects.
- (h) On 5 December 2014, our Company (as purchaser) entered into a sale and purchase agreement with Golden Roc (as vendor), Mr. Leung (as warrantor) and Mr. Kwan (as

warrantor), pursuant to which our Company acquired 1 share of Bojin International (representing the entire issued share capital of Bojin International) and 1 share of Eternity Sail (representing the entire issued share capital of Eternity Sail) from Golden Roc, and in consideration, (i) the one nil-paid Share held by Golden Roc was credited as fully paid, and (ii) 901,249,999 Shares, all credited as fully-paid, were issued and allotted to Golden Roc. After the aforesaid share transfer, our Company held the entire issued share capital of Bojin International and Eternity Sail.

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

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the accountants' report, the text of which is set out in Appendix I to this prospectus.

Save as disclosed above, and as mentioned in the paragraph "Further Information about our Company — Corporate reorganisation" in this appendix and in the paragraph "Company history and Reorganisation" in this prospectus, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

6. Repurchase of our Shares by our Company

This section includes information required by the Stock Exchange to be included in the prospectus concerning the repurchase of our Shares by our Company.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.

(i) Shareholders' approval

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

Note: Pursuant to the written resolutions of our sole Shareholder passed on 8 December 2014, a general unconditional mandate (the "Repurchase Mandate") was given to our Directors authorising our Directors to exercise all powers of our Company to purchase on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares representing up to 10% of the aggregate of the nominal value of the share capital in issue immediately following completion of the Share Offer but excluding any Share to be issued upon exercise of any options which may be granted under the Share Option Scheme, and the

Repurchase Mandate shall remain in effect until the earliest of the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held, or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange 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 our Company or out of our Company's share premium account before or at the time our Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) *Connected parties*

The Listing Rules prohibit our Company from knowingly repurchasing our Shares on the Stock Exchange from a "core connected person", which includes a director, chief executive or substantial shareholder of our Company or any of our subsidiaries or a close associate (as defined in the Listing Rules) of any of them and a core connected person shall not knowingly sell Shares to our Company.

(b) ***Reasons for repurchases***

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) ***Exercise of the Repurchase Mandate***

On the basis of 1,030,000,000 Shares in issue after completion of the Share Offer, exercise in full of the Repurchase Mandate, could accordingly result in up to 103,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(d) *Funding of repurchase*

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) *General*

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules), has any present intention if the Repurchase Mandate is exercised to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations from time to time in force in the Cayman Islands.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. In certain circumstances, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code), depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase.

Save as disclosed above, our Directors are not aware of any consequence that may arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate. Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No connected person of our Company has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS**1. Summary of material contracts**


The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material in relation to the business of our Company as a whole:

- (a) an instrument of transfer dated 22 August 2014 entered into between Mr. Leung (as transferor) and Bojin International (as transferee) for the transfer of 5,500 ordinary shares of CS Engineering from Mr. Leung to Bojin International at the consideration of HK\$5,500;
- (b) bought and sold notes dated 22 August 2014 executed by Mr. Leung (as vendor) and Bojin International (as purchaser) for the transfer of 5,500 ordinary shares of CS Engineering as referred to in item (a) above;
- (c) an instrument of transfer dated 22 August 2014 entered into between Mr. Kwan (as transferor) and Bojin International (as transferee) for the transfer of 4,500 ordinary shares of CS Engineering by Mr. Kwan to Bojin International at the consideration of HK\$4,500;
- (d) bought and sold notes dated 22 August 2014 executed by Mr. Kwan (as vendor) and Bojin International (as purchaser) for the transfer of 4,500 ordinary shares of CS Engineering as referred to in item (c) above;
- (e) an instrument of transfer dated 22 August 2014 entered into between Mr. Leung (as transferor) and Eternity Sail (as transferee) for the transfer of 33,000 ordinary shares of CS Machinery by Mr. Leung to Eternity Sail at the consideration of HK\$33,000;
- (f) bought and sold notes dated 22 August 2014 executed by Mr. Leung (as vendor) and Eternity Sail (as purchaser) for the transfer of 33,000 ordinary shares of CS Machinery as referred to in item (e) above;
- (g) an instrument of transfer dated 22 August 2014 entered into between Mr. Kwan (as transferor) and Eternity Sail (as transferee) for the transfer of 27,000 ordinary shares of CS Machinery by Mr. Kwan to Eternity Sail at the consideration of HK\$27,000;
- (h) bought and sold notes dated 22 August 2014 executed by Mr. Kwan (as vendor) and Eternity Sail (as purchaser) for the transfer of 27,000 ordinary shares of CS Machinery as referred to in item (g) above;

- (i) a sale and purchase agreement dated 5 December 2014 entered into among Golden Roc (as vendor), our Company (as purchaser), Mr. Leung (as warrantor) and Mr. Kwan (as warrantor), pursuant to which our Company acquired 1 share of Bojin International (representing the entire issued share capital of Bojin International) and 1 share of Eternity Sail (representing the entire issued share capital of Eternity Sail), from Golden Roc, and in consideration of which, the one nil-paid Shares held by Golden Roc, was credited as fully paid, and 901,249,999 Shares were issued and allotted to Golden Roc, all credited as fully paid;
- (j) an instrument of transfer dated 5 December 2014 and entered into between Golden Roc (as transferor) and our Company (as transferee) for the transfer of 1 share of Bojin International as referred to in item (i) above;
- (k) an instrument of transfer dated 5 December 2014 and entered into between Golden Roc (as transferor) and our Company (as transferee) for the transfer of 1 share of Eternity Sail as referred to in item (i) above;
- (l) a deed of non-competition dated 8 December 2014 executed by Mr. Leung, Mr. Kwan and Golden Roc in favour of our Company (for itself and on behalf of its subsidiaries), details of which are set out in the paragraph “Relationship with the Controlling Shareholders — Non-competition undertakings” in this prospectus;
- (m) a deed of indemnity dated 8 December 2014 executed by Mr. Leung, Mr. Kwan and Golden Roc in favour of our Company (for itself and on behalf of its subsidiaries) containing the indemnities referred to in the paragraph “Other information — Tax and other indemnities” in this appendix; and
- (n) the Public Offer Underwriting Agreement.

2. Intellectual property rights

As at the Latest Practicable Date, our Group has applied for registration of the following trademark, the registration of which has yet been granted:

Trademark	Class	Application number	Place of Application	Registrant
	37	303041621	Hong Kong	CS Engineering

As at the Latest Practicable Date, our Group has registered the following domain name(s) which is material to the business of our Group:

Domain Name	Registrant	Expiration date
CSENG.COM.HK	CS Engineering	24 July 2019

C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Disclosure of interests

So far as our Directors are aware, immediately following completion of the Share Offer but taking no account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme, the interests and short positions of our Directors or chief executive of our Company in our Shares, underlying Shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange, will be as follows:

(i) Long position in our Shares

Name of Director	Capacity/Nature	Number of Shares held/interested in	Percentage of interest
Mr. Leung	Interest of a controlled corporation (<i>Note 1</i>)	772,500,000	75%
Mr. Kwan	Interest of a controlled corporation (<i>Note 2</i>)	772,500,000	75%

Notes:

- The 772,500,000 Shares are held by Golden Roc. Mr. Leung beneficially owns 55% of the entire issued share capital of Golden Roc and is deemed, or taken to be, interested in all our Shares held by Golden Roc for the purposes of the SFO. Mr. Leung is an executive Director and a director of Golden Roc.
- The 772,500,000 Shares are held by Golden Roc. Mr. Kwan beneficially owns 45% of the entire issued share capital of Golden Roc and is deemed, or taken to be, interested in all our Shares held by Golden Roc for the purposes of the SFO. Mr. Kwan is an executive Director and a director of Golden Roc.

(ii) *Long position in the ordinary shares of associated corporation*

Name of Director	Name of associated corporation	Capacity/Nature	Number of shares held	Percentage of shareholding
Mr. Leung	Golden Roc	Beneficial owner (Note)	55	55%
Mr. Kwan	Golden Roc	Beneficial owner (Note)	45	45%

Notes: Mr. Leung and Mr. Kwan beneficially owns 55% and 45% of the entire issued share capital of Golden Roc respectively, and both of them are deemed or taken to be interested in all the shares in Golden Roc for the purposes of the SFO. Each of Mr. Leung and Mr. Kwan is an executive Director and a director of Golden Roc.

So far as is known to our Directors and taking no account any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the Share Offer, have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Our Company

Name	Capacity/Nature of interest	Number of Shares held/interested in	Percentage of shareholding
Golden Roc	Beneficial owner	772,500,000	75%
Ms. Ngai	Interest of spouse (Note 1)	772,500,000	75%
Ms. Ho	Interest of spouse (Note 2)	772,500,000	75%

Notes:

- Ms. Ngai is the spouse of Mr. Leung. Accordingly, Ms. Ngai is deemed, or taken to be, interested in all our Shares in which Mr. Leung is interested for the purpose of the SFO.
- Ms. Ho is the spouse of Mr. Kwan. Accordingly, Ms. Ho is deemed, or taken to be, interested in all our Shares in which Mr. Kwan is interested for the purpose of the SFO.

2. Particulars of service agreements

No Director has entered into any service agreement with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. Directors' remuneration

The aggregate amount of remuneration paid to our Directors by our Group in respect of the three financial years ended 31 March 2012, 2013 and 2014 were approximately HK\$1.8 million, HK\$2.0 million and HK\$2.3 million respectively.

- (a) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 March 2015 will be approximately HK\$2.9 million.
- (b) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

	<i>HK\$</i>
Executive Directors	
Mr. Leung	1,320,000
Mr. Kwan	1,320,000
LO Ka Lung (盧家龍)	600,000
Independent non-executive Directors	
CHEUNG, Kwok Yan Wilfred (張國仁)	150,000
Prof. LAM Sing Kwong Simon (林誠光)	150,000
WONG Fong (王芳)	150,000

- (c) Each of our 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 not less than six months' notice served by either party on the other, and is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Articles.

4. Agency fees or commission received

Save as disclosed in the section "Underwriting" in this prospectus and this appendix, none of our Directors or the experts named in the paragraph headed "Other Information — Consents of experts" in this appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

5. Related party transactions

Details of the related party transactions are set out under Note 22 to the Accountants' Report set out in Appendix I to this prospectus.

6. Disclaimers

Save as disclosed in this prospectus:

- (a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and any member of our Group;
- (b) none of our Directors or the experts named in the paragraph “Other Information — Consents of experts” in this appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors or the experts named in the paragraph “Other Information — Consents of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) taking no account our Shares which may be issued pursuant to options which may be granted under the Share Option Scheme, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Share Offer, have any interest in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group;
- (e) none of our Directors or chief executive of our Company has any interest or short position in our Shares, underlying Shares or debentures of our Company or any of the associated corporations (within the meaning of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which he will be taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listing Companies in the Listing Rules, to be notified to our Company and the Stock Exchange; and
- (f) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. SHARE OPTION SCHEME**(a) Definitions**

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

“Adoption Date”	8 December 2014, the date on which the Share Option Scheme is conditionally adopted by our sole shareholder by way of written resolution
“Board”	the board of Directors or a duly authorised committee of the board of Directors
“business day”	any day on which the Stock Exchange is open for the business of dealing in securities
“Group”	our Company and any entity in which our Company, directly or indirectly, holds any equity interest

(b) Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of our sole Shareholder passed on 8 December 2014:

(i) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

(ii) Who may join and basis of eligibility

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, options to subscribe at a price calculated in accordance with paragraph (iii) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, our independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

(iii) *Price of Shares*

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by our Board and notified to a participant and shall be at least the higher of: (i) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of our Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option. For the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than five business days, the issue price of the Shares on the Stock Exchange shall be used as the closing price for any business day fall within the period before listing.

(iv) *Grant of options and acceptance of offers*

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$1.

(v) *Maximum number of Shares*

(aa) Subject to sub-paragraphs (bb) and (cc) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all our Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to 103,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 103,000,000 Shares from time to time) to the participants under the Share Option Scheme.

(bb) The 10% limit as mentioned above may be refreshed at any time by approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of our Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to our Shareholders containing the information as required under the Listing Rules in this regard.

- (cc) Our Company may seek separate approval by our Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose and all other information required under the Listing Rules.
- (dd) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of our Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such 30% limit being exceeded.

(vi) *Maximum entitlement of each participant*

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of our Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his associates abstaining from voting. In such event, our Company must send a circular to our Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of our Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(vii) *Grant of options to certain connected persons*

- (aa) Any grant of an option to a Director, chief executive or substantial shareholder of our Company (or any of their respective associates) must be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).
- (bb) Where any grant of options to a substantial Shareholder or an independent non-executive Director (or any of their respective associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:
 - (i) representing in aggregate over 0.1% of our Shares in issue; and

- (ii) having an aggregate value, based on the closing price of our Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options is required to be approved by our Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to our Shareholders containing all information as required under the Listing Rules in this regard. All connected persons of our Company shall abstain from voting (except where any connected person intends to vote against the proposed grant). Any change in the terms of an option granted to a substantial Shareholder or an independent non-executive Director or any of their respective associates is also required to be approved by our Shareholders in the aforesaid manner.

(viii) *Restrictions on the times of grant of options*

- (aa) Our Company may not grant any options after inside information has come to its knowledge until such inside information has been announced. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:
 - (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
 - (ii) the deadline for our Company to publish an announcement of the results for any year, or half-year under the Listing Rules, or quarterly or other interim period (whether or not required under the Listing Rules).
- (bb) Further to the restrictions in paragraph (aa) above, no option may be granted to a Director on any day on which financial results of our Company are published:
 - (i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
 - (ii) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(ix) *Time of exercise of option*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(x) *Performance targets*

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(xi) *Ranking of Shares*

Our Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank pari passu in all respects with our fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that our Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(xii) *Rights are personal to grantee*

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(xiii) *Rights on cessation of employment by death*

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (xiv) below arises within a period of three years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (xvii), (xviii) and (xix) occurs prior to his death or within such period of 12 months following his death, then his legal personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(xiv) *Rights on cessation of employment by dismissal*

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with our Group.

(xv) *Rights on cessation of employment for other reasons*

In the event that the grantee is an employee, a consultant or an adviser (as the case may be) of a member of our Group at the date of grant and he subsequently ceases to be an employee, a consultant or an adviser (as the case may be) of our Group for any reason other than his death or the termination of his employment of an employee or engagement of a consultant or an adviser (as the case may be) on one or more of the grounds specified in (xiv) above, the option (to the extent not already lapsed or exercised) shall lapse on the expiry of three months after the date of cessation of such employment of an employee or engagement of a consultant or an adviser (as the case may be) (which date will be in the case of an employee the last actual working day, on which the grantee was physically at work with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not, and in the case of a consultant or an adviser (as the case may be), the last actual day of providing consultancy or advisory services to the relevant member of our Group).

(xvi) *Effects of alterations to share capital*

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices, as the auditors of or independent financial adviser to our Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time, provided that any alteration shall give a grantee, as near as possible, the same proportion of the issued share capital of our Company as that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(xvii) *Rights on a general offer*

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all our Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/ or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already lapsed or exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(xviii) Rights on winding-up

In the event a notice is given by our Company to our members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(xix) Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and our Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to our Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already lapsed or exercised) shall become exercisable in whole or in part on such date not later than two Business Days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (“Suspension Date”), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3: 00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavour to procure that our Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or wilful default on the part of our Company or any of our officers.

(xx) *Lapse of options*

An option shall lapse automatically on the earliest of:

- (aa) the expiry of the period referred to in paragraph (ix) above;
- (bb) the date on which the Board exercises our Company's right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (xii);
- (cc) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (xiii), (xv), (xvii), (xviii) or (xix) above;
- (dd) subject to paragraph (xviii) above, the date of the commencement of the winding-up of our Company;
- (ee) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;
- (ff) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or
- (gg) subject to the compromise or arrangement as referred to in paragraph (xix) become effective, the date on which such compromise or arrangement becomes effective.

(xxi) *Cancellation of options granted but not yet exercised*

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in a manner that complies with all applicable legal requirements for such cancellation.

(xxii) *Period of the Share Option Scheme*

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date and shall expire at the close of business on the Business Day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

(xxiii) *Alteration to the Share Option Scheme*

- (aa) The Share Option Scheme may be altered in any respect by resolution of the Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options relating to matters governed by Rule 17.03 of the Listing Rules shall not be made except with the prior approval of the Shareholders in general meeting.

- (bb) Any amendment to any terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of the Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (cc) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of the Listing Rules and the notes thereto and the 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 schemes) or any guidelines issued by the Stock Exchange from time to time.

(xxiv) *Termination to the Share Option Scheme*

Our Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(xxv) *Conditions of the Share Option Scheme*

The Share Option Scheme is conditional upon the Listing Committee granting the listing of, and permission to deal in, our Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, and commencement of dealings in the Shares on the Stock Exchange.

(c) **Present status of the Share Option Scheme**

Application has been made to the Listing Committee for the listing of and permission to deal in 103,000,000 Shares which fall to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION**1. Tax and other indemnities**

Mr. Leung, Mr. Kwan and Golden Roc (collectively, the “**Indemnifiers**”) have, under a deed of indemnity referred to in the paragraph “Further Information about the Business — Summary of material contracts” in this appendix, given joint and several indemnities to our Company for ourselves and as trustee for our subsidiaries in connection with, among other things,

- (a) any liability for Hong Kong estate duty which might be payable by any member of our Group under or by virtue of the provisions of Section 35 and Section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or any other similar legislation in any relevant jurisdiction outside Hong Kong arising on the death of any person at any time by reason of any transfer of any property to any member of our Group on or before the date on which the Share Offer becomes unconditional;
- (b) any taxation which might be payable by any member of our Group (i) in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the date on which Share Offer becomes unconditional; or (ii) in respect of or in consequence of any act, omission or event occurring or deemed to occur on or before the date on which the Share Offer becomes unconditional;
- (c) any claims, actions, demands, proceedings, judgements, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of our Group as a result of or in connection with:
 - (i) any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings instituted by or against any member of our Group in relation to events occurred on or before the date on which the Share Offer becomes unconditional;
 - (ii) the implementation of the Reorganisation and/or disposal or acquisition of the equity interest in any member of our Group since the date of incorporation of each member of our Group and up to the date on which the Share Offer becomes unconditional; and
 - (iii) any non-compliance with the applicable laws, rules or regulations by our Company and/or any member of our Group on or before the date on which the Share Offer becomes unconditional.

The Indemnifiers will, however, not be liable under the deed of indemnity for taxation to the extent that, among others:

- (a) specific provision, reserve or allowance has been made for such taxation liability in the audited combined financial statements of any member of our Group for the Track Record Period; or

- (b) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Share Offer becomes unconditional; or
- (c) the liability arises in the ordinary course of business of our Group after 31 March 2014 up to and including the date on which the Share Offer becomes unconditional.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

2. Litigation

Save as disclosed in the section “Business — Litigation and Claims”, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group as at the Latest Practicable Date.

3. Sponsor

The Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned herein including any Shares to be issued upon exercise of any options to be granted under the Share Option Scheme.

The Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

Our Company has entered into an agreement with the Sponsor, pursuant to which our Company agreed to pay a financial advisory and documentation fee of HK\$4.0 million to the Sponsor in respect of the Share Offer, and will reimburse the Sponsor for their expenses properly incurred in connection with the Share Offer.

4. Preliminary expenses

The preliminary expenses of our Company are approximately HK\$40,000 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
Messis Capital Limited	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
KPMG	Certified Public Accountants
Appleby	Cayman Islands attorneys-at-law
Chan Chung	Barrister-at-law of Hong Kong
CT Partners Consultants Limited	Internal control consultant

7. Consents of experts

Each of MESSIS Capital Limited, KPMG, Appleby, Chan Chung and CT Partners Consultants Limited has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its/his reports and/or letter and/or opinion and/or summary thereof (as the case may be) and/or reference to its/his name included herein in the form and context in which it is respectively included.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. Particulars of the Selling Shareholder

The following are particulars of the Selling Shareholder:

Name	Description	Address	Number of Sale Shares
Golden Roc	a company incorporated in the BVI	NovaSage Chambers, P.O. Box 4389, Road Town, Tortola, British Virgin Islands	128,750,000

10. Taxation of holders of Shares**(a) *Hong Kong***

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) *Cayman Islands*

No stamp duty is payable in the Cayman Islands on transfer of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) *Consultation with professional advisers*

Intending holders of our Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasised that none of our Company, our Directors or other parties involved in the Share Offer accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

11. No material adverse change

Our Directors confirm that there has not been any material adverse change in the financial or trading position or prospects of our Group since 30 June 2014 (being the date to which the latest audited combined financial statements of our Group were made up).

12. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
- (i) no share or loan capital of our Company or any of the subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration than cash;
 - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of the subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of the subsidiaries;
 - (iii) no commission has been paid or is payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares or debenture of any of our Company or our subsidiaries; and

- (iv) no share or loan capital of our Company or any of the subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (b) Neither our Company nor any of the subsidiaries has issued or agreed to issue any founders shares, management shares, deferred shares or any debentures.
- (c) Save as disclosed in the paragraph “Underwriting” in this prospectus, none of the parties listed in the paragraph headed “Consents of experts” in this appendix is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries.
- (d) The branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited, our Hong Kong Branch Share Registrar. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands. All necessary arrangements have been made to ensure our Shares to be admitted into CCASS for clearing and settlement.
- (e) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus.
- (f) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (g) We have no outstanding convertible debt securities.
- (h) Our Directors have been advised that, under Cayman Islands law, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by our Company in conjunction with the English name does not contravene Cayman Islands law.
- (i) The English text of this prospectus shall prevail over the Chinese text.

13. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided in Section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were (a) copies of the Application Forms; (b) the written consents referred to in the paragraph “Other Information — Consents of experts” in Appendix IV to this prospectus; and (c) copies of the material contracts referred to in the paragraph “Further Information about the Business — 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 Loong & Yeung at Suites 2001-2006, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the accountants’ report of our Group dated the date of this prospectus prepared by KPMG, the text of which is set out in Appendix I to this prospectus;
- (c) the audited financial statements of CS Engineering and CS Machinery for the Track Record Period;
- (d) the report on unaudited pro forma financial information prepared by KPMG, the text of which is set out in Appendix II to this prospectus;
- (e) the material contracts referred to in the section “Further information about the business — Summary of material contracts” in Appendix IV to this prospectus;
- (f) the service agreements referred to in the paragraph “Further Information about Substantial Shareholders, Directors and Experts — Particulars of service agreements” in Appendix IV to this prospectus;
- (g) the Share Option Scheme;
- (h) the written consents referred to in the paragraph “Other Information — Consents of experts” in Appendix IV to this prospectus;
- (i) the Companies Law;
- (j) the letter of advice prepared by Appleby summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this prospectus; and
- (k) the letter of advice prepared by the Legal Counsel dated the date of this prospectus.

Chun Sing Engineering Holdings Limited
震昇工程控股有限公司

