



IN CONSTRUCTION HOLDINGS LIMITED
現恆建築控股有限公司

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 1500

Share Offer

Sole Sponsor

Sole Bookrunner and Sole Lead Manager



IMPORTANT

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

IN CONSTRUCTION HOLDINGS LIMITED

現恆建築控股有限公司

(Incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Number of Offer Shares	: 200,000,000 Share (subject to the Adjustment Options)
Number of Public Offer Shares	: 20,000,000 Shares (subject to adjustment)
Number of Placing Shares	: 140,000,000 New Shares and 40,000,000 Sale Shares (subject to adjustment and the Adjustment Options)
Offer Price	: Not more than HK\$0.8 per Offer Share and expected to be not less than HK\$0.4 per Offer Share (payable in full in Hong Kong dollars on application, subject to refund, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%)
Nominal Value	: HK\$0.01 per Share
Stock Code	: 1500

Sole Sponsor, Sole Bookrunner and Sole Lead Manager



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, with the documents specified in the section headed "Documents delivered to the Registrar of Companies in Hong Kong" in Appendix VI to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Cap. 32 Companies (Winding Up and Miscellaneous Provisions) Ordinance. The SFC and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Sole Bookrunner and our Company (for ourselves and on behalf of the Selling Shareholders) on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, 9 April 2015 or such later date as may be agreed by the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders), but in any event not later than Monday, 13 April 2015. The Offer Price will not be more than HK\$0.8 per Offer Share and is currently expected to be not less than HK\$0.4 per Offer Share unless otherwise announced. Investors applying for Public Offer Shares must pay, on application, the maximum Offer Price of HK\$0.8 for each Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$0.8.

The Sole Bookrunner (for itself and on behalf of the Underwriters) may, with consent of our Company (for ourselves and on behalf of the Selling Shareholders), reduce the indicative Offer Price range stated in this prospectus and/or the number of Offer Shares being offered at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such case, a notice of reduction of the indicative Offer Price range and/or the number of Offer Shares will be announced on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.inconstruction.hk not later than the morning of the last day for lodging applications under the Public Offer.

If, for any reason, the Offer Price is not agreed between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders) on or before Monday, 13 April 2015, the Share Offer will not become unconditional and will lapse.

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

Prospective investors of the Public Offer Shares should note that the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement to subscribe, and to procure subscribers for, the Public Offer Shares, are subject to termination by the Sole Bookrunner (for itself and on behalf of the Underwriters) if certain events shall occur prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of the terms of such provisions are set out in the section headed "Underwriting" in this prospectus.

No action has been taken to permit an offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than in Hong Kong. Accordingly, this prospectus or the related Application Forms may not be used for the purpose of, and does not (and is not intended to) constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus or the related Application Forms and the offering and sales of the Offer Shares in other jurisdictions may be restricted by law and therefore persons who possess this prospectus or any of the related Application Forms should inform themselves about, and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities law.

31 March 2015

EXPECTED TIMETABLE

If there is any change in the following expected timetable of the Public Offer, we will publish an announcement on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.inconstruction.hk.

2015
(Note 1)

Application lists of the Public Offer open (Note 2) 11:45 a.m. on Thursday, 9 April

Latest time to lodge **WHITE** and **YELLOW**

Application Forms 12:00 noon on Thursday, 9 April

Application lists of the Public Offer close (Note 2) 12:00 noon on Thursday, 9 April

Expected Price Determination Date (Note 3) Thursday, 9 April

Announcement of the final Offer Price,
the level of indication of interest in the Placing,
the results and the basis of allotment of
the Public Offer Shares under the Public Offer
to be published on our Company's website at
www.inconstruction.hk and on the website of
the Stock Exchange at **www.hkexnews.hk** on or before Wednesday, 15 April

Results of allocations in the Public Offer
(with successful applicants' identification document numbers,
where appropriate) to be available through a variety of
channels as described in the section headed
"How to apply for Public Offer Shares" including
our Company's website at **www.inconstruction.hk** and the
website of the Stock Exchange at **www.hkexnews.hk** from Wednesday, 15 April

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

Despatch/collection of Share certificates in respect of wholly or
partially successful applications pursuant to
the Public Offer on or before (Note 4) Wednesday, 15 April

EXPECTED TIMETABLE

2015
(Note 1)

Despatch of refund cheques in respect of wholly or partially successful applications if the final offer price is less than the price payable on application (if applicable) and unsuccessful applications pursuant to the Public Offer on or before (Note 5) Wednesday, 15 April

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

Notes:

- (1) All times refer to Hong Kong local time. Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus. If there is any change in this expected timetable, an announcement will be published on the Stock Exchange’s website at www.hkexnews.hk and our Company’s website at www.inconstruction.hk.
- (2) 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. and 12:00 noon on Thursday, 9 April 2015, the application lists will not open or close on that day. Please refer to the paragraph headed “How to Apply for Public Offer Shares – Effect of Bad Weather Conditions on the Opening of the Application Lists” in this prospectus. If the application lists do not open and close on Thursday, 9 April 2015, the dates mentioned in this section headed “Expected Timetable” may be affected. We will make a press announcement in such event.
- (3) The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Thursday, 9 April 2015 and, in any event, not later than Monday, 13 April 2015. If, for any reason, the Offer Price is not agreed between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders) by Monday, 13 April 2015, the Share Offer (including the Public Offer) will not proceed and will lapse.
- (4) Applicants who apply on **WHITE** Application Form for 1,000,000 or more Offer Shares and have provided all information required may collect Share certificates (if applicable) and refund cheques (if applicable) in person from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, 15 April 2015 or any other date as announced by us as the date of despatch of Share certificates/refund cheques. Applicants being individuals for personal collection must not authorise any other person to make their collection on their behalf. Applicants being corporations for personal collection must attend by sending their authorised representatives each bearing a letter of authorisation from his corporation stamped with the corporation’s chop. Both individuals and authorised representatives of corporations must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar. Applicants who have applied on **YELLOW** Application Forms may not collect their Share certificates, which will be deposited into CCASS for the credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. Uncollected Share certificates and refund cheques will be despatched by ordinary post to the addressees specified in the relevant applications at the applicants’ own risk. Further information is set out in the section headed “How to Apply for Public Offer Shares” in this prospectus.
- (5) Refund cheques will be issued in respect of wholly or partially unsuccessful applications and also in respect of successful applications in the event that the Offer Price is less than the initial price per Public Offer Share payable on application. Part of your Hong Kong Identity Card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong Identity Card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong Identity Card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in the section headed “How to Apply for Public Offer Shares” in this prospectus.

EXPECTED TIMETABLE

Share certificates will only become valid certificates of title provided that the Share Offer has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of their Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

Particulars of the structure of the Share Offer, including the conditions thereto, are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus. Details relating to how to apply for the Public Offer Shares are set out in the section headed “How to apply for Public Offer Shares” in this prospectus.

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IMPORTANT NOTICE TO INVESTORS

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

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

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SUMMARY

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

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this summary are defined in the sections headed “Definitions” and “Glossary of technical terms” of this prospectus.

COMPANY OVERVIEW

Our Group is engaged as a contractor in the foundation industry in Hong Kong, undertaking foundation works as well as associated works including demolition works, site formation works, ground investigation field works and general building works for local customers.

In respect of our existing foundation business, we are a registered specialist contractor in the categories of foundation, demolition, site formation and ground investigation field works and a registered general building contractor with the Buildings Department and are also on the list of approved suppliers of materials and specialist contractors of the Development Bureau for public works in the category of land piling (Group II).

We normally secure our foundation projects through a competitive tender process. Our contracts can generally be categorised into “design and build” contracts and “build only” contracts. The table below sets out a breakdown of our Group’s turnover by types of contract awarded during the Track Record Period:

	For the year ended 31 March						For the six months ended 30 September 2014	
	2012		2013		2014		2014	
	Turnover		Turnover		Turnover		Turnover	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Design and build contracts	316,157	86.4	397,182	84.8	279,068	73.1	108,164	58.4
Build only contracts	49,752	13.6	70,935	15.2	102,682	26.9	77,036	41.6
	<u>365,909</u>	<u>100.0</u>	<u>468,117</u>	<u>100.0</u>	<u>381,750</u>	<u>100.0</u>	<u>185,200</u>	<u>100.0</u>

SUMMARY

The table below sets out a breakdown of our Group's turnover by projects where our Group was engaged as main contractor and sub-contractor, respectively, during the Track Record Period:

	For the year ended 31 March						For the six months ended 30 September 2014	
	2012		2013		2014		2014	
	Turnover		Turnover		Turnover		Turnover	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Projects carried out by our Group as main contractor	260,336	71.1	279,392	59.7	281,486	73.7	155,230	83.8
Projects carried out by our Group as sub-contractor	105,573	28.9	188,725	40.3	100,264	26.3	29,970	16.2
	<u>365,909</u>	<u>100.0</u>	<u>468,117</u>	<u>100.0</u>	<u>381,750</u>	<u>100.0</u>	<u>185,200</u>	<u>100.0</u>

The table below sets out the turnover generated by projects that comprise foundation works only and projects that comprise a combination of foundation and associated works which were recognised in the years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014:

	For the year ended 31 March			For the six months ended 30 September 2014
	2012	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover				
Foundation works only	88,176	274,501	222,409	146,914
Foundation and associated works	<u>277,733</u>	<u>193,616</u>	<u>159,341</u>	<u>38,286</u>
	<u>365,909</u>	<u>468,117</u>	<u>381,750</u>	<u>185,200</u>

CUSTOMERS, SUPPLIERS AND SUB-CONTRACTORS

Customers

Our Group is engaged in private sector foundation projects in Hong Kong, of which our customers include property developers, construction companies and institutions such as not-for-profit organisations and educational institutions. Turnover attributable to our Group's five largest customers for the years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014 amounted to approximately HK\$282.7 million, HK\$294.4 million, HK\$306.3 million and HK\$129.6 million, representing approximately 77.3%, 63.0%,

SUMMARY

80.2% and 70.0% of the turnover of our Group, respectively. For further details of our major customers, please refer to the paragraph headed “Contract Awards and Customers – Customers” in the “Business” section in this prospectus.

Suppliers and Sub-contractors

Our suppliers mainly provide us with (i) construction materials such as concrete and steel; and (ii) insurance and consultancy services for our projects. During the Track Record Period, purchases from our five largest suppliers accounted for approximately 20.5%, 24.8%, 26.8% and 24.4% of the total purchase for each of the corresponding financial years/period.

In line with the usual practice of the foundation industry in Hong Kong, in the implementation of our projects, we usually engage third party sub-contractors to execute some parts of our projects. For contracts where we act as a sub-contractor, we also delegate some portion of the project to third party sub-subcontractors and are responsible for the overall conduct of our sub-contractors. Sub-contracting work performed by our five largest sub-contractors accounted for approximately 40.7%, 58.2%, 50.8% and 53.7% of our total purchase for the years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014.

For further details of our major suppliers and sub-contractors, please refer to the paragraph headed “Suppliers and Sub-contractors” in the “Business” section in this prospectus.

COMPETITIVE STRENGTHS

Our Directors believe our competitive strengths include (i) our management team possesses extensive experience and technical know-how; (ii) our flexibility and capability to provide alternative design proposal; (iii) our diverse qualifications form a synergy which allows us to capture business opportunities; (iv) we have established reputation in the foundation industry; and (v) our stringent quality control and established procedures, each of which is discussed in the paragraphs headed “Business – Competitive Strengths” of this prospectus.

BUSINESS STRATEGIES

The business strategies of our Group include (i) expanding our capacity to capture more business opportunities; (ii) enhancing our competitiveness in the foundation industry; and (iii) continuing to focus on design and build contracts. For more details on our business strategies, please refer to the paragraph headed “Business – Business Strategies” of this prospectus.

SUMMARY

MARKET POSITIONS

According to the Ipsos Report, the top five foundation contractors in Hong Kong accounted for approximately 40.8% of the total market share by turnover in Hong Kong in 2013, while the remaining foundation contracting work companies accounted for approximately 59.2%. Our Group contributed approximately HK\$381.8 million turnover (during the period April 2013 to March 2014), which is about 2.0% of the total market share^(Note) and ranked the ninth in the foundation industry in Hong Kong in 2013.

SUMMARY OF KEY FINANCIAL INFORMATION

The following table sets forth the key financial information as extracted from the combined statements of profit or loss and other comprehensive income, combined statements of financial position and combined cash flow statements during the Track Record Period:

	Year ended 31 March			Six months ended 30 September
	2012	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	365,909	468,117	381,750	185,200
Gross profit	77,968	102,584	82,558	34,073
Profit from operations	70,650	95,376	73,549	27,256
Profit before taxation	70,618	95,027	73,136	27,013
Profit and total comprehensive income for the year/period	58,845	79,301	60,977	22,105
	As at 31 March			As at 30 September
	2012	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets	900	10,723	7,722	6,191
Current assets	287,323	338,301	397,522	317,024
Current liabilities	114,302	188,294	186,470	269,737
Net current assets	173,021	150,007	211,052	47,287
Total assets less current liabilities	173,921	160,730	218,774	53,478
Non-current liabilities	9,081	18,889	15,956	14,555
Net assets	164,840	141,841	202,818	38,923

Note: The foundation industry's turnover figure is based on calendar year (i.e. 1 January to 31 December), which is different from our Group's financial year (i.e. 1 April to 31 March).

SUMMARY

	Year ended 31 March			Six months ended 30 September
	2012	2013	2014	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash (used in)/generated from operating activities	(5,431)	68,634	3,216	4,102
Net cash used in investing activities	(7,263)	(36,272)	(2,927)	(3,743)
Net cash used in financing activities	<u>(269)</u>	<u>(8,842)</u>	<u>(7,934)</u>	<u>(1,717)</u>
Net (decrease)/increase in cash and cash equivalents	(12,963)	23,520	(7,645)	(1,358)
Cash and cash equivalents at the beginning of the year/period	<u>54</u>	<u>(12,909)</u>	<u>10,611</u>	<u>2,966</u>
Cash and cash equivalents at the end of the year/period	(12,909)	10,611	2,966	1,608

Our Group derived all of our turnover from foundation works and associated works during the Track Record Period and up to the Latest Practicable Date. As our business operates on a non-recurring and project-by-project basis, the fluctuation of our turnover during the Track Record Period was subject to various factors, including but not limited to the number, the size, the nature and complexity of the projects and the percentage of completion of our works at a given period. For the years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014, our Group recorded turnover of approximately HK\$365.9 million, HK\$468.1 million, HK\$381.8 million and HK\$185.2 million, respectively. The fluctuation of our Group's turnover was generally in line with the fluctuation of number of contracts contributing to our Group's turnover during the Track Record Period.

The direct costs of our Group amounted to approximately HK\$287.9 million, HK\$365.5 million, HK\$299.2 million and HK\$151.1 million for the years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014, respectively. The fluctuation of direct costs during the Track Record Period is generally in line with the fluctuation of turnover during the corresponding financial year/period.

The net current assets of our Group were approximately HK\$173.0 million, HK\$150.0 million and HK\$211.1 million as at 31 March 2012, 2013 and 2014, respectively. As at 30 September 2014, we recorded net current assets of approximately HK\$47.3 million, representing a decrease of HK\$163.8 million comparing to the net current assets of approximately HK\$211.1 million as at 31 March 2014. Such decrease was mainly due to the declaration of dividend of HK\$186.0 million by In Construction to its then shareholders in September 2014.

SUMMARY

Our Group recorded a net decrease of approximately HK\$13.0 million, a net increase of approximately HK\$23.5 million, a net decrease of approximately HK\$7.6 million and a net decrease of approximately HK\$1.4 million in cash and cash equivalents for the years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014, respectively. For the year ended 31 March 2012, the net decrease in cash and cash equivalents of approximately HK\$13.0 million was mainly caused by (1) the net cash used in the investing activities which was mainly attributable to the increase in restricted bank deposits; and (2) the net cash used in the operating activities which was (a) attributable to the changes in working capital including but not limited to the increase in trade and other receivables; and (b) the tax payment for the corresponding period. For the year ended 31 March 2013, the net increase in cash and cash equivalents of approximately HK\$23.5 million was mainly due to the net cash generated from operating activities, despite the net cash used in investing activities. The net cash generated from operating activities for the year ended 31 March 2013 was partly attributable to the changes in working capital including but not limited to the increase in trade and other payables while the net cash used in the investing activities was mainly attributable to the increase in restricted bank deposits. For the year ended 31 March 2014, the net decrease in cash and cash equivalents of approximately HK\$7.6 million was mainly due to the net cash used in financing activities which was mainly attributable to the dividend paid and the finance charges relating to acquisition of machinery. For the six months ended 30 September 2014, the net decrease in cash and cash equivalents of approximately HK\$1.4 million was mainly caused by (1) the net cash used in investing activities which was mainly attributable to increase in restricted bank deposits; and (2) the net cash used in financing activities which was mainly attributable to the finance charges relating to acquisition of machinery, despite the net cash generated from operating activities for the corresponding period.

For further details and analysis of our financial information, please refer to the “Financial Information” section in this prospectus.

SELECTED KEY FINANCIAL RATIOS

	As at/for the year ended 31 March			As at/for the six months ended 30 September
	2012	2013	2014	2014
Current ratio	2.5	1.8	2.1	1.2
Gearing ratio	13.4%	18.6%	9.4%	273.4%
Debt to equity ratio	8.5%	N/A	N/A	128.5%
Interest coverage ratio	2,207.8	273.3	178.1	112.2
Return on assets	20.4%	22.7%	15.0%	N/A
Return on equity	35.7%	55.9%	30.1%	N/A
Net profit margin	16.1%	16.9%	16.0%	11.9%

SUMMARY

During the Track Record Period, our Group's financial ratios fluctuated as a result of the fluctuation of our Group's financial position and performance. Our Group's gearing ratio and debt-to-equity ratio fluctuated for the following reasons:

*Gearing ratio*¹

The gearing ratio of our Group increased from approximately 13.4% as at 31 March 2012 to approximately 18.6% as at 31 March 2013, primarily due to the decrease in equity as a result of the declaration of dividends of approximately HK\$102.3 million by our Group to its then shareholders, despite the fact that our Group recorded a net profit of approximately HK\$79.3 million during the period.

The gearing ratio then decreased to approximately 9.4% as at 31 March 2014, primarily due to the increase in equity as our Group recorded a net profit of approximately HK\$61.0 million while we did not declare any dividend for the corresponding period.

The gearing ratio subsequently increased to approximately 273.4% as at 30 September 2014 as a result of (i) the increase in debt level; and (ii) the decrease in equity, both of which were primarily due to the declaration of dividends of HK\$186.0 million in September 2014. Of the declared dividends of approximately HK\$186.0 million, a portion of it was applied to set off against amounts due from shareholders, and approximately HK\$89.0 million remained unsettled as at 30 September 2014. On the one hand, the unsettled amounts of the dividend resulted in the increase in amounts due to shareholders, which in turn increased the debt level. On the other hand, such dividend was declared out of the Group's reserve, causing the Group's equity to decrease despite the fact that our Group recorded a net profit of approximately HK\$22.1 million during the six months ended 30 September 2014.

*Debt-to-equity ratio*²

The Group recorded a debt-to-equity ratio of approximately 8.5% and 128.5% as at 31 March 2012 and 30 September 2014, respectively. As at 31 March 2013 and 2014, our Group achieved a net cash position. The debt-to-equity ratio of our Group improved from approximately 8.5% as at 31 March 2012 to net cash position as at 31 March 2013 primarily due to (i) an increase in cash generated from operation mainly as a result of increase in net profit; and (ii) a decrease in bank overdrafts. As at 30 September 2014, the debt-to-equity ratio increased and turned from net cash position as at 31 March 2014 to approximately 128.5% as at 30 September 2014, as a result of (i) the increase in debt level; and (ii) the decrease in equity, primarily due to the declaration of dividends of HK\$186.0 million during the corresponding period, as explained under the paragraph headed "*Gearing ratio*" above.

Notes:

1. 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 reporting dates.
2. 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 reporting dates.

SUMMARY

For further details and explanation regarding the above table, please refer to the paragraph headed “Financial information – Key financial ratio” in this prospectus.

RECENT DEVELOPMENT

Our Group has continued to develop its foundation business after the Track Record Period. We were awarded three new contracts for foundation and associated works, with one project located at A Kung Ngam Road, Shau Kei Wan (with a contract sum of approximately HK\$285.3 million) awarded in December 2014, a second one at Queen’s Road East, Wan Chai (with a contract sum of approximately HK\$41.2 million) awarded in December 2014, and a third one at Fuk Chak Street and Ka Shin Street, Tai Kok Tsui (with a contract sum of approximately HK\$73.5 million) awarded in March 2015. As at the date of this prospectus, the contract sum (excluding all contingent and/or provisional contract amount) for the contracts on hand (including contracts in progress and contracts of which our work is yet to commence) amounted to approximately HK\$1,017.0 million.

Since the end of the Track Record Period, our Group has completed four projects. As at the date of this prospectus, our Group had nine projects on hand, all of which were on-going except the Hing Hon Road Project which had remained suspended since the end of the Track Record Period up to the date of this prospectus and remedial works were in progress. On 4 September 2014, a building adjacent (the “Building”) to the site located at Hing Hon Road (the “Site”) tilted towards the Site. Additional building tilting check points were then installed onto the Building to monitor the tilting and emergency ground stabilisation grouting and raked shoring works were carried out on the Site. On the basis of our Directors’ estimation taken into account the progress of the remedial work and circumstances of the incident, it is expected that the project’s completion will be delayed by not more than sixteen months. As of the Latest Practicable Date, our Group had not received any claim for damages from any third party arising from or in connection with the Hing Hon Road Project nor any claim for liquidated damages from the relevant customer. For further details regarding the incident, please refer to the paragraph headed “Legal and Administrative Proceedings and Possible Claims – (iv) Potential claims and litigations against our Group as at the Latest Practicable Date” under the section headed “Business” in this prospectus.

Save for the information as disclosed above, our Directors have confirmed that after performing all the due diligence work which our Directors consider appropriate, there had been no material adverse change in our financial or trading position or prospects since 30 September 2014 up to the date of this prospectus.

Our Directors have confirmed that there has been no event since 30 September 2014 which would materially affect the information shown in the Accountants’ Report set out in Appendix I to this prospectus. Our Directors have also confirmed that there has not been any material change in our indebtedness and contingent liabilities since 31 January 2015.

As far as our Directors are aware, there was no material change in the general conditions in the foundation industry in the markets that our Group operates in that has affected or would affect our Group’s business operations or financial conditions materially and adversely.

SUMMARY

Contracts on hand

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

Project site	Role	Type of work	Commencement date/Expected commencement date (Note 1)	Expected Completion Date (Note 2)	Percentage of work certified as at the Latest Practicable Date (Note 3)	Type of contract	Outstanding contract sum as at the Latest Practicable Date	
							Contract sum (Note 4) HK\$'000	Practicable Date (Note 4) HK\$'000
Queen's Road Central and Stanley Street, Central	Main contractor	Foundation	May 2013	Sept 2015	67%	Build Only	78,000	25,881
Peel Street/ Graham Street, Central	Main contractor	Foundation	Jan 2014	Sept 2015	30%	Design and Build	288,000	200,863
Heung Yip Road, Aberdeen	Main contractor	Foundation	Jan 2014	Jul 2015	40%	Design and Build	108,500	65,633
Hing Hon Road, Pok Fu Lam	Main contractor	Foundation	Jan 2014	Mar 2016 (Note 5)	30%	Build Only	23,400	16,326
Aberdeen Street, Central	Main contractor	Foundation	Jun 2014	Oct 2015	0%	Design and Build	45,600	45,600
Perkins Road, Happy Valley	Main contractor	Demolition and foundation	Oct 2014	Nov 2015	0%	Design and Build	73,500	73,500
A Kung Ngam Road, Shau Kei Wan	Main contractor	Site formation and foundation	Dec 2014	Aug 2016	0%	Design and Build	285,300	285,300
Queen's Road East, Wan Chai	Main contractor	Foundation	Feb 2015	Nov 2015	0%	Design and Build	41,150	41,150
Fuk Chak Street and Ka Shin Street, Tai Kok Tsui	Main contractor	Foundation	Apr 2015	May 2016	0%	Design and Build	73,500	73,500
							1,016,950	827,753

Notes:

- (1) The date of commencement of works is based on the payment certificates or instructions issued by our customers or authorised persons employed by our customers.
- (2) The expected completion date of works is determined with reference to the relevant letter of award which normally sets out the duration of works from its commencement.
- (3) The stage of completion is measured by reference to work performed to date as a percentage of total contract value which is based on the certificates issued by our customers on the respective projects and represents the amount of works certified as a percentage of the contract sum.
- (4) Contract sum and outstanding contract sum as at the Latest Practicable Date excluded all contingent and/or provisional contract amounts set out in the respective contracts, if any. A provisional sum is a sum of money provided in the contract by the customer for costs which cannot be entirely foreseen, defined or detailed at the time the tendering documents are issued. A contingency sum is an amount

SUMMARY

of money set aside by the customer to cover additional costs incurred for unforeseen works. The outstanding contract sum represents the amount of the original contract sum after deduction of the turnover recognised up to the Latest Practicable Date.

- (5) Our works for this project has been suspended since 5 September 2014 due to tilting of the building adjacent to the site. For further details regarding this project, please refer to the paragraph headed “Legal and Administrative Proceedings and Possible Claims – (iv) Potential claims and litigations against our Group as at the Latest Practicable Date – Hing Hon Road Project” under the “Business” section in this prospectus.

CONTROLLING SHAREHOLDERS

For the purpose of the Listing Rules, Mr. Lau, Mr. Cheng, Ms. Kwan, In Play, Wealth Celebration and Kinetic Kingdom are our Controlling Shareholders. Mr. Cheng is the owner of Longo Piling Company (“Longo”), a sole proprietorship that is principally engaged in the provision of foundation, site formation and general building works in Hong Kong. In order to avoid any possible future competition between our Group and Longo, Mr. Cheng, Longo and Wealth Celebration have executed the Longo Deed of Non-competition. For further details of the business of Longo and the Longo Deed of Non-competition, please refer to the paragraphs headed “Competing Interest of Our Controlling Shareholder – Background of Longo” and “Non-Competition Undertaking – Longo Deed of Non-competition” in the section headed “Relationship with Controlling Shareholders” in this prospectus. For further details of our Controlling Shareholders, please refer to the section headed “Relationship with Controlling Shareholders” in this prospectus.

Mr. Lau, Mr. Cheng and Ms. Kwan and his/her associates are interested in certain continuing connected transactions, particulars of which are set out in the paragraph headed “Connected Transactions – Exempted Continuing Connected Transactions” in this prospectus.

LISTING EXPENSES

Assuming the Adjustment Options are not exercised and assuming the Offer Price of HK\$0.6 per Offer Share, being the mid-point of the indicative Offer Price range, the total amount of listing expenses and commissions (without taking into account any discretionary bonus) in connection with the Share Offer is estimated to be approximately HK\$24.7 million of which approximately HK\$23.6 million will be borne by our Company and approximately HK\$1.1 million will be borne by the Selling Shareholders.

Of the listing expenses borne by our Company, approximately HK\$8.1 million is directly attributable to the issue of New Shares to the public and to be accounted for as a deduction from equity and approximately HK\$15.5 million is to be charged to profit or loss of our Group. The listing expenses of approximately HK\$2.3 million were charged to the profit or loss of our Group for the six months ended 30 September 2014, and approximately HK\$7.8 million are expected to be charged to the profit or loss of our Group for the six months ending 31 March 2015.

SUMMARY

FUTURE PLANS AND USE OF PROCEEDS

We intend to implement the following future plans to grow our business by applying the aggregate net proceeds from the Share Offer (after deducting underwriting fees and estimated total expenses paid and payable by us in connection thereto) which is estimated to be approximately HK\$72.4 million, assuming that the Adjustment Options are not exercised and assuming the Offer Price of HK\$0.6 per Offer Share, being the mid-point of the proposed Offer Price range of HK\$0.4 to HK\$0.8 per Offer Share, in the following manner:

- approximately HK\$10.9 million or approximately 15.0% of the net proceeds for hiring of additional staff in the next three years in order to increase our capacity to cope with expected business growth;
- approximately HK\$14.5 million or approximately 20.0% of the net proceeds to finance the acquisition of additional machinery and equipment for our foundation works;
- approximately HK\$39.8 million or approximately 55.0% of the net proceeds will be used as financing for the issue of surety bonds for future projects; and
- approximately HK\$7.2 million or approximately 10.0% of the net proceeds will be used as general working capital of our Group.

SELLING SHAREHOLDERS

The Share Offer initially consists of 200,000,000 Shares, of which 40,000,000 Shares are being sold by the Selling Shareholders under the Placing. We estimate that the net proceeds to the Selling Shareholders from the Sale Shares (after deduction of proportional underwriting fees and estimated expenses payable by our Selling Shareholders in relation to the Share Offer, and assuming an offer price of HK\$0.6 per Offer Share, being the mid-point of the indicative Offer Price range) will be approximately HK\$22.9 million. Our Company will not receive any of the proceeds from the sale of the Sale Shares.

ADJUSTMENT OPTIONS AND STABILISATION

In connection with the Share Offer and pursuant to the Placing Underwriting Agreement, we expect to grant an Offer Size Adjustment Option and an Over-allotment Option to the Placing Underwriters exercisable by the Sole Bookrunner. The Sole Bookrunner may exercise either the Offer Size Adjustment Option or the Over-allotment Option but not both. For further details of the Adjustment Options and stabilisation, please refer to the section headed “Structure and Conditions of the Share Offer” of this prospectus.

DIVIDENDS

During the years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014, dividends of approximately HK\$12.3 million, HK\$102.3 million, nil and HK\$186.0 million were declared by In Construction respectively. Of the declared dividends of approximately HK\$186.0 million, approximately HK\$96.7 million were used to set off

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against amounts due from shareholders, approximately HK\$30.0 million was paid out of payments received from our customers subsequent to the Track Record Period, and the remainder of approximately HK\$59.3 million was capitalised under the capitalisation issue as detailed in the section headed “History, Reorganisation and Corporate Structure” in this prospectus.

After completion of the Share Offer, our Directors may at their discretion declare dividends to our Shareholders subject to our results of operations, financial condition and other factors which our Directors deem relevant. We currently intend to recommend dividends of not less than 30% of our profit and total comprehensive income attributable to the equity holders of our Group after the Listing. However, we cannot assure you that we will be able to declare or distribute dividends in any amount each year or in any year.

OFFERING STATISTICS

	Based on the minimum indicative Offer Price of HK\$0.4 per Offer Share	Based on the maximum indicative Offer Price of HK\$0.8 per Offer Share
Market capitalisation at Listing <i>(Note 1)</i>	HK\$320 million	HK\$640 million
Unaudited pro forma adjusted net tangible assets per Share <i>(Note 2)</i>	HK\$0.11	HK\$0.18

Notes:

1. The calculation of the market capitalisation of our Shares is based on 800,000,000 Shares in issue immediately after completion of the Share Offer but does not take into account of any Shares which may be allotted and issued upon the exercise of the Adjustment Options or any Shares which may be allotted or repurchased by our Company pursuant to the issuing mandate and the repurchase mandate.
2. The unaudited pro forma adjusted combined net tangible assets of our Group per Share has been prepared with reference to certain estimation and adjustment. Please refer to Appendix II to this prospectus for further details.

PROFIT FORECAST FOR THE YEAR ENDING 31 MARCH 2015

	For the year ending 31 March 2015
Forecast combined profit attributable to equity holders of our Company <i>(Note 1)</i>	Not less than HK\$68 million
Unaudited pro forma forecast earnings per Share <i>(Note 2)</i>	Not less than HK\$0.085

Notes:

- (1) The forecast combined profit attributable to equity holders of our Company for the year ending 31 March 2015 is extracted from Appendix III to this prospectus. The bases and assumptions on which the above forecast for the year ending 31 March 2015 has been prepared are summarised in Appendix III to this prospectus.

SUMMARY

- (2) The calculation of the unaudited pro forma forecast earnings per Share is based on the forecast combined profit attributable to equity holders of our Company for the year ending 31 March 2015 and on the assumption that a total of 800,000,000 Shares were in issue during the year ending 31 March 2015, taking no account of any Shares which may be issued upon the exercise of the Adjustment Options.

LEGAL AND ADMINISTRATIVE PROCEEDINGS AND POSSIBLE CLAIMS

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

The following table sets out the settled, outstanding and potential claims for liquidated damages from our customers and the amount incurred and/or to be incurred due to additional and/or remedial works during the Track Record Period and up to the Latest Practicable Date:

No.	Project site	Provisioned amount (<i>approx.</i>) HK\$'000	Status of claim as at the Latest Practicable Date	Potential claim amount (<i>approx.</i>) HK\$'000	Major reason(s) for delay in the completion of works	Amount incurred and/or to be incurred due to additional and/or remedial works (<i>approx.</i>) HK\$'000	Contract sum (excluding all contingent and/or provisional contract amount) (<i>approx.</i>) HK\$'000
1.	Model Lane, North Point	165	Settled	–	Additional hoarding works at neighbouring site	N/A (<i>Note 1</i>)	9,254
2.	Ming Wah Dai Ha, Shau Kei Wan	11	Settled	–	Unforeseen geological condition of the site	N/A (<i>Note 2</i>)	13,648
3.	St. Paul Co-Educational College, MacDonnell Road	700	Settled	–	Additional hoarding works at neighbouring site	N/A (<i>Note 1</i>)	63,392
4.	Bulkeley Street, Hung Hom	3,240 (<i>Note 3</i>)	Under negotiation	–	Additional works required for diversion of existing underground utilities cables and to obtain government approval for such diversion works	N/A (<i>Note 4</i>)	37,654
5.	Ko Shan Road, To Kwa Wan	9,300 (<i>Note 3</i>)	Under negotiation	–	Unforeseen geological condition of the site	9,200	76,512

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No.	Project site	Provisioned amount (<i>approx.</i>) HK\$'000	Status of claim as at the Latest Practicable Date	Potential claim amount (<i>approx.</i>) HK\$'000	Major reason(s) for delay in the completion of works	Amount incurred and/or to be incurred due to additional and/or remedial works (<i>approx.</i>) HK\$'000	Contract sum (excluding all contingent and/or provisional contract amount) (<i>approx.</i>) HK\$'000
6.	Ma Tau Wai Road, To Kwa Wan	-	N/A	5,100	Suspension of works due to abnormal ground settlement occurred adjacent to the site For further information, please refer to the paragraph headed "Business – Legal and Administrative Proceedings and Possible Claims – (iv) Potential claims and litigations against our Group as at the Latest Practicable Date – Ma Tau Wai Road Project"	3,400	28,900
7.	Hing Hon Road, Pok Fu Lam	-	N/A	9,800	Suspension of works and remedial works performed due to tilting of adjacent building For further information, please refer to the paragraph headed "Business – Legal and Administrative Proceedings and Possible Claims – (iv) Potential claims and litigations against our Group as at the Latest Practicable Date – Hing Hon Road Project"	4,300	23,400

Notes:

- (1) No additional cost was incurred for the additional hoarding works involved. Nonetheless, additional time was spent in obtaining consent for the hoarding works from the owner of the neighbouring site resulting in the delay in the completion of the project.
- (2) The claim for liquidated damages was settled during the Track Record Period but the cost for additional works was incurred outside the Track Record Period.

SUMMARY

- (3) This amount represents the maximum amount of liquidated damages that our customer may claim from us under the contract. As the claim for liquidated damages is under negotiation with our customer, subject to our customer granting extension of time, the final sum of liquidated damages may be less than the provisioned sum.
- (4) The cost of the additional works required for diversion was borne by our customer of the project. Nonetheless, additional time was incurred for carrying out the additional works required for diversion resulting in the delay in the completion of the project.

ACCIDENT

During the Track Record Period and up to the Latest Practicable Date, there was one death incident recorded at a project site of our Group. On 17 February 2014, a fatal accident occurred at the site where In Construction was engaged as a sub-contractor for foundation work. In the accident, the left leg of an employee of In Construction's sub-subcontractor was hit by an I-beam when the raising and lowering of the I-beam were performed by another sub-contractor of the project. The injured worker was sent to the hospital immediately and was certified dead upon arrival. Criminal charges were laid against the responsible parties, and our Group was not one of the defendants of the case. As at the Latest Practicable Date, our Group had not received any claim for compensation from representative of the deceased and accordingly no provision has been made in our accounts. Nonetheless, in any event, had our Group been joined as one of the defendants of the case in the future, the employees' compensation insurance taken out by the main contractor in this project shall cover the liability, if any, of our Group in relation to this fatal accident.

For other accidents occurred during the Track Record Period, please refer to the paragraph headed "Business – Health, Safety and Environment – Health and safety – Accidents during the Track Record Period" for more details.

RISK FACTORS

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

Prospective investors should be aware of the major risk factors in relation to our operations, including that (i) we are required to maintain certain registrations with governmental authority and any suspension of or failure to maintain or renew any of them could materially and adversely affect our business; (ii) reliance on key management personnel; (iii) we may be liable for claims for damage caused to the buildings adjacent to our construction sites and may suffer additional costs for undertaking remedial works or may incur liquidated damages for project delay; and (iv) our business relies on successful tenders that determine the award of our foundation works and/or associated works contracts and is non-recurring in nature. A detailed discussion of the risk factors is set forth in the section headed "Risk Factors" in this prospectus.

DEFINITIONS

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

“Adjustment Options”	Offer Size Adjustment Option and/or the Over-allotment Option
“Application Form(s)”	WHITE application form(s) and YELLOW application form(s) or, where the context so requires, any of them to be used in connection with the Public Offer
“Articles of Association” or “Articles”	the articles of association of the Company conditionally approved and adopted on 26 March 2015, as amended from time to time, a summary of which is set out in “Appendix IV – Summary of the Constitution of the Company and Cayman Islands Company Law” to this prospectus
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“Building Authority”	the Building Authority of the Government
“Buildings Department”	the Buildings Department of the Government
“Buildings Ordinance”	the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Business Day”	a day (other than a Saturday, a Sunday or a public holiday) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compound 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 Operational Procedures”	the operation procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Chairman”	Mr. Lau, the chairman of the Board
“Chief Executive Officer”	Mr. Lau, the chief executive officer of the Company
“close associate(s)”	has the meaning ascribed thereto 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, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	In Construction Holdings Limited 現恆建築控股有限公司, an exempted company incorporated in the Cayman Islands with limited liability on 29 September 2014
“connected person(s)”	has the same meaning as defined in the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto in the Listing Rules and, in the context of our Company, means each of Mr. Lau, Mr. Cheng, Ms. Kwan, In Play, Wealth Celebration and Kinetic Kingdom
“Deed of Indemnity”	the deed of indemnity dated 26 March 2015 and entered into by the Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries), the details of which are set out in the paragraph headed “Tax and other indemnities” in Appendix V to this prospectus

DEFINITIONS

“Deed of Non-competition”	the deed of non-competition dated 26 March 2015 and entered into by Mr. Lau, Ms. Kwan, In Play and Kinetic Kingdom in favour of our Company (for itself and as trustee for its subsidiaries), particulars of which are set out in the paragraph headed “Non-competition undertaking” in the section headed “Relationship with Controlling Shareholders” in this prospectus
“Development Bureau”	the Development Bureau of the Government
“Director(s)”	the director(s) of the Company
“Employment Ordinance”	the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Factories and Industrial Undertakings Ordinance”	the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“GDP”	gross domestic product
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Government”	the government of Hong Kong
“Group”, “our Group”, “we” or “us”	our Company and our subsidiaries, at the relevant time, or where the text refers to any time before our Company became the holding company of our present subsidiaries, our Company’s present subsidiaries and the respective business currently operated by such subsidiaries (as the case may be)
“HKEx website”	the internet website at www.hkexnews.hk operated by the Stock Exchange
“HKFRS”	Hong Kong Financial Reporting Standards (including Hong Kong Accounting Standards and interpretations) issued by the Hong Kong Institute of Certified Public Accountants
“Hing Hon Road Project”	the project undertaken by our Group to perform foundation works located at Hing Hon Road, Pok Fu Lam

DEFINITIONS

“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“HK\$” or “HK cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Housing Authority”	the Hong Kong Housing Authority of the Government
“In Construction”	In Construction Limited 現恆建築有限公司, formerly known as Crownland Construction Limited 冠置建築有限公司, a company incorporated in Hong Kong on 9 December 1996 with limited liability and an indirect wholly-owned subsidiary of our Company
“In Construction BVI”	In Construction (BVI) Limited, a company incorporated in the BVI on 6 October 2014 with limited liability and a direct wholly-owned subsidiary of our Company
“In Play”	In Play Limited, a company incorporated in the BVI on 29 September 2014 with limited liability and is wholly-owned by Mr. Lau
“Independent Third Party(ies)”	an individual or a company which is independent from and not connected with (within the meaning of the Listing Rules) any Director, chief executive, substantial shareholder of our Company, its subsidiaries or any of their respective associates
“Ipsos Report”	an industry report prepared by Ipsos Hong Kong Limited, which was commissioned by us in relation to, among other things, the foundation industry in Hong Kong
“Kinetic Kingdom”	Kinetic Kingdom Limited, a company incorporated in the BVI on 29 September 2014 with limited liability and is wholly-owned by Ms. Kwan
“Labour Department”	the Labour Department of the Government

DEFINITIONS

“Latest Practicable Date”	26 March 2015, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its publication
“Legal Counsel”	Mr. Ian Pennicott, Senior Counsel, barrister-at-law advising on certain aspects of Hong Kong law relating to our Group’s operations, who is an Independent Third Party
“Listing”	the listing of the Shares on the Main Board
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date on which the Shares are listed and dealings in the Shares commence on the Main Board, which is expected to be on 16 April 2015
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board, as amended, supplemented or otherwise modified from time to time
“Longo Deed of Non-competition”	the deed of non-competition dated 26 March 2015 and entered into by Mr. Cheng, Wealth Celebration and Longo Piling Company in favour of our Company (for itself and as trustee for its subsidiaries), particulars of which are set out in the paragraph headed “Non-competition undertaking” in the section headed “Relationship with Controlling Shareholders” in this prospectus
“Ma Tau Wai Road Project”	the project undertaken by our Group to perform foundation works located at Ma Tau Wai Road, To Kwa Wan
“Main Board”	the stock market operated by the Stock Exchange, which excludes the Growth Enterprise Market of the Stock Exchange and the options market
“Mandatory Provident Fund Schemes Ordinance”	the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Memorandum”	the memorandum of association conditionally approved and adopted by our Company pursuant to the written resolutions passed by the existing Shareholders on 26 March 2015

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“Minimum Wage Ordinance”	the Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Mr. Cheng”	Mr. Cheng Wing Cheong (鄭榮昌), our executive Director and a Controlling Shareholder
“Mr. Lau”	Mr. Lau Pak Man (劉博文), our executive Director, Chairman, Chief Executive Officer, a Controlling Shareholder and the spouse of Ms. Kwan
“Ms. Kwan”	Ms. Kwan Kit Sum Kit (關潔心), our executive Director and a Controlling Shareholder and the spouse of Mr. Lau
“New Shares”	the new Shares initially being offered by our Company for the subscription at the Offer Price under the Share Offer
“Nomination Committee”	the nomination committee of the Board
“Offer Price”	the final offer price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), at which the Offer Shares are to be subscribed pursuant to the Share Offer, such price is to be determined in the manner further described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Offer Shares”	the Public Offer Shares and the Placing Shares, together with, where relevant, any additional Shares to be issued pursuant to the exercise of the Adjustment Options
“Oriental Patron” or “Sole Sponsor”	Oriental Patron Asia Limited, a licensed corporation for carrying on type 1 (dealing in securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO and the sole sponsor of the Share Offer
“Offer Size Adjustment Option”	the option to be granted by our Company to the Placing Underwriters exercisable by the Sole Bookrunner, to require our Company to allot and issue up to an aggregate of 30,000,000 additional new Shares, representing 15.0% of the initial number of our Offer Shares, at the Offer Price, to cover over-allocations in the Placing, subject to the terms of the Placing Underwriting Agreement

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“Over-allotment Option”	the option to be granted by our Company to Placing Underwriters exercisable by the Sole Bookrunner, to require our Company to allot and issue up to an aggregate of 30,000,000 additional new Shares, representing 15.0% of the initial number of our Offer Shares, at the Offer Price, to cover over-allocations in the Placing and/or to satisfy the obligation of the Stabilisation Manager to return securities borrowed under the Stock Borrowing Agreement, subject to the terms of the Placing Underwriting Agreement
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters on behalf of our Company at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), with institutional and professional investors, details of which are described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Shares”	the 180,000,000 Shares comprising 140,000,000 New Shares and 40,000,000 Sale Shares (subject to adjustment and the Adjustment Options as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Underwriting Agreement”	the conditional placing underwriting agreement relating to the Placing and to be entered into by, among others, our Company, the Sole Sponsor, the Sole Bookrunner, and the Placing Underwriters on or about the Price Determination Date, as further described in the paragraph headed “Underwriting – Underwriting Arrangements and Expenses – Placing” in this prospectus
“Placing Underwriters”	the underwriters who are expected to enter into the Placing Underwriting Agreement
“PRC” or “China”	the People’s Republic of China, but for the purposes of this prospectus and for geographical reference only (unless otherwise indicated), excluding Taiwan, the Macau Special Administrative Region of the PRC and Hong Kong
“PRC Government”	the government of the PRC

DEFINITIONS

“Price Determination Agreement”	the agreement to be entered into between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders) on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date on which the Offer Price is determined, which is expected to be on or around 9 April 2015
“Public Offer”	the offer by our Company of the Public Offer Shares for subscription by public in Hong Kong at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), subject to and in accordance with the terms and conditions set out in this prospectus and the Application Forms, details of which are described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Public Offer Shares”	the 20,000,000 New Shares initially being offered for subscription by our Company at the Offer Price under the Public Offer (subject to adjustment) as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer
“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 30 March 2015 and relating to the Public Offer and entered into between, our Company, the Controlling Shareholders, the Selling Shareholders, the Sole Sponsor, the Sole Bookrunner and the Public Offer Underwriters, particulars of which are summarised in the section headed “Underwriting – Underwriting Arrangements and Expenses – Public Offer – Public Offer Underwriting Agreement” in this prospectus
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of the Board
“Renminbi”	Renminbi, the lawful currency for the time being of the PRC
“Reorganisation”	the reorganisation arrangements undergone by the Group in preparation for the Listing as described in the section headed “History, Reorganisation and Corporate Structure” in this prospectus

DEFINITIONS

“Securities and Futures Commission” or “SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Sale Shares”	the Shares to be offered for sale by the Selling Shareholders at the Offer Price under the Share Offer
“Selling Shareholders”	In Play, Wealth Celebration and Kinetic Kingdom
“Share(s)”	ordinary share(s) in the share capital of the Company with a nominal value of HK\$0.01 each
“Share Offer”	the Public Offer and Placing
“Shareholder(s)”	holder(s) of the Share(s)
“Sole Bookrunner”, “Sole Lead Manager” or “Stabilisation Manager”	Oriental Patron Securities Limited, a licensed corporation to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO
“Stock Borrowing Agreement”	the stock borrowing agreement to be entered into on or about 9 April 2015 between the Stabilisation Manager and Kinetic Kingdom
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	a company which is for the time being and from time to time a subsidiary (within the meaning of the Companies Ordinance) of the Company
“substantial shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the period comprising the years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014
“Underwriters”	the Placing Underwriters and the Public Offer Underwriters

DEFINITIONS

“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United States” or “US”	the United States of America
“US dollars” or “US\$”	United States dollars, the lawful currency for the time being of the United States
“U.S. Securities Act”	the U.S. Securities Act of 1993, as amended, and the rules and regulations promulgated thereunder
“Wealth Celebration”	Wealth Celebration Limited, a company incorporated in the BVI on 29 September 2014 with limited liability and is wholly-owned by Mr. Cheng
“WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s or applicants’ own name(s)
“YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited into CCASS
“m”	metre
“mm”	millimetre
“sq. ft.”	square feet
“sq. m.”	square metres
“%”	per cent.

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

Unless otherwise specified, for the purpose of this prospectus, amounts denominated in US\$ are translated into HK\$ at the rate of US\$1.00 = HK\$7.8. No representation is made that any amounts in HK\$ or US\$ were or could have been converted at the such rate or at any other exchange rates.

GLOSSARY OF TECHNICAL TERMS

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

“authorised signatory”	the appointed person to act for a registered contractor for the purpose of the Buildings Ordinance
“bell-out”	an enlargement of the base area of a pile, formed in situ by undercutting (under-reaming) the soil or rock at the base of a bored pile
“bored pile”	a type of pile installed by machine boring to the required level and subsequently filling the hole with concrete
“foundation works”	foundation works mainly include bored piling, driven H-piling, socketed H-piling, mini-piles, footing foundation and pile cap works
“ISO”	acronym for a series of standards including quality management and environmental management standards published by International Organisation for Standardisation, a non-governmental organisation that has a central secretariat in Geneva, Switzerland
“ISO 9001”	an international standard that gives requirements for an organisation’s quality management system
“ISO 14001”	an international standard that gives a framework for an environmental management system
“large diameter bored pile”	a type of bored pile which is greater than 750 mm in diameter
“OHSAS”	acronym for Occupational Health and Safety Management System, which provides a framework for organisations to identify and control its health
“OHSAS 18001”	an international standard that gives a framework for an occupational health and safety management system

GLOSSARY OF TECHNICAL TERMS

“percussive piling”	a type of construction activity by sinking or driving a pile by direct or indirect hammering or other percussive means, including piling by the use of a drop hammer, diesel hammer, double acting hammer, single acting hammer, internal drop hammer, pneumatic hammer, steam hammer or other percussive device, other than a device that is portable and designed for operation while held by hand without any other form of support
“main contractor”	in respect of a construction project, a contractor appointed by the project employer, who generally oversees the progress of the entire construction project and delegate different work tasks of the construction to other contractors
“mini-piles”	a type of piles which consist of one or more steel bars encased by grout inside a borehole, which in general does not exceed 400 mm in diameter
“pile cap”	a concrete structure built on the head of a pile or a group of piles for transmission of loads from the structure above to the pile or group of piles
“piling”	any work in connection with or for the sinking or forming of a pile in the ground by hammering, jacking, screwing, augering, boring, jetting, vibrating, casting or any other means and also means the driving or sinking of any casing or tube into the ground to form a well or shaft for foundation purposes, whether or not the casing or tube is later extracted
“registered contractor”	a contractor which is on the list of Registered Contractors maintained by the Buildings Department
“rock socketed H-pile” or “rock socketed steel H-pile”	a type of pile in which a steel H-section is installed within a pre-bored hole formed into the bedrock and then grouted with cement grout
“Specialist List”	the List of Approved Suppliers of Material and Specialist Contractors for Public Works published by the Development Bureau
“sub-contractor”	in respect of a construction project, a sub-contractor appointed by the main contractor or another sub-contractor involved in the construction, who generally carries out specific work tasks of the construction

GLOSSARY OF TECHNICAL TERMS

“technical director”

in respect of any registered contractor which is a corporate entity, a director authorised by the board of directors of such contractor to ensure the works are carried out in accordance with the Buildings Ordinance

FORWARD-LOOKING STATEMENTS

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

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

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

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

RISK FACTORS

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

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

RISKS RELATING TO OUR BUSINESS

We are required to maintain certain registrations with governmental authority and any suspension of or failure to maintain or renew any of them could materially and adversely affect our business

The foundation industry is a highly regulated industry and our Group is required to maintain certain registrations under the laws of Hong Kong in order to operate our business. Please refer to the section headed “Regulatory Overview” in this prospectus for details of our registrations.

In order to renew and maintain these registrations, our Group is required to comply with applicable criteria set by the relevant governmental authorities such as the Buildings Department and the Development Bureau. These criteria may include the maintenance of certain financial criteria including our working capital level, the adequacy of our management structure and the appropriate experience and qualification of our personnel. These registrations may be subject to a fixed validity period upon expiry of which, we will apply for renewal of such registration with the relevant governmental authorities. In addition, the standards of compliance required in relation thereto may from time to time be subject to changes without substantial advance notice. We cannot assure that all these required registrations can be maintained or renewed in a timely manner or at all. If we fail to maintain or renew such relevant registrations, or if our registration is suspended, or if there are any changes in the existing policies by the governmental authorities in relation to regulation concerning the foundation industry, it may cause an interruption to our operations, which would have a material adverse effect on our business and financial performance.

Reliance on key management personnel

Our Group’s success is, to a large extent, attributable to the continued commitment of our executive Directors and our supporting management team. Detailed qualifications of our executive Directors are set out in the section headed “Directors and Senior Management” in this prospectus. Our executive Directors are responsible for our business strategies and development, daily management and operations. Furthermore, they have established

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relationships with our Group's customers, sub-contractors and suppliers. They have extensive experience in the foundation industry, possess knowledge of the foundation and construction markets and technical know-hows.

In particular, Mr. Lau is both the authorised signatory and technical director of In Construction for our registrations with the Building Authority as a registered general building contractor and all our registrations as specialist contractor in the demolition works, foundation works, ground investigation field works and site formation works categories. In the event Mr. Lau ceases to act as the technical director and/or authorised signatory for In Construction due to unexpected events such as sudden illness, accident or resignation without adequate prior notice, Mr. Cheng has agreed to apply to the Buildings Department to become the technical director and/or authorised signatory for In Construction pursuant to the Longo Deed of Non-competition. However, we cannot assure that the Buildings Department will necessarily approve Mr. Cheng's application, failing which, there is no assurance we will be able to identify a suitable candidate to replace Mr. Lau's roles, or that the Building Authority will accept and approve the application of such a replacement candidate. In such event, the registrations of In Construction may be temporarily suspended until a replacement candidate has been identified and approved by the Building Authority, during which period our Group may not be able to take up new foundation projects or in the event we fail to identify a sub-contractor which is a registered specialist contractor under the relevant category to undertake the specialist work concerned, we may not be able to continue to perform the projects on hand. This will cause abrupt interruption to our operation, resulting in project delay or even breach in our contracts terms, and creating material adverse impact on our financial and operational results.

Further, our Group retained a lean organisation structure with only 55 full time employees as at the Latest Practicable Date. Our key business decisions are made directly by our senior management team. Accordingly, the number of projects that can be executed by our Group simultaneously at any given time is also limited by the capacity of our management team. In the event we cannot retain our key employees or if there is unanticipated departure of our executive Directors and key management personnel without appropriate replacement, it may temporarily reduce our capacity and in turn affect our ability to carry out services for our customers which could adversely affect our business operations and profitability.

We may be liable for claims for damage caused to the buildings adjacent to our construction sites and may suffer additional costs for undertaking remedial works or may incur liquidated damages for project delay

Due to the nature of our foundation works, the foundation and structure of any buildings adjacent to our construction sites may be affected or damaged during our works, we will incur additional cost and time in carrying out remedial works and may cause material delay preventing our Group from completing our obligation under a contract in accordance with its terms and schedule. Where extension of time is not granted by the relevant customer, our Group may face claims for losses and liquidated damages. Further, we may be involved in claims and disputes from third parties arising from damage caused to the adjacent building, which may lead to legal and other proceedings and expose our Group to reputational risk in particular where such incident or claims attract negative press reports.

RISK FACTORS

During the Track Record Period and up to the Latest Practicable Date, there had been two incidents where there was occurrence to the buildings adjacent to our project sites. One incident related to our project site at Ma Tau Wai Road where abnormal ground settlement occurred adjacent to the site was observed during the early stages of works, resulting in a suspension of our works for approximately five months from February to June 2013. Remedial works had been performed and we were granted consent by the Building Authority to resume work in June 2013. The costs of the remedial works in the amount of approximately HK\$3.4 million were incurred and borne by our Group. Subject to our customer granting extension of time, we may, however, be liable for liquidated damages payable to our customer in the amount of HK\$5.1 million due to delay in the completion of our works pursuant to the terms of the contract, if our liability to our customer could be established that the incident was caused by our negligence or lack of care, as advised by the Legal Counsel. In the other incident, a building adjacent to our project site at Hing Hon Road tilted towards the site. Foundation works at the site had been suspended since 5 September 2014 and remedial works were being performed. Additional costs in the amount of approximately HK\$4.3 million were estimated in performing additional works including the remedial works. On the basis of our management's estimation, it is expected that the project's completion will be delayed by not more than sixteen months and in the event that our customer does not grant an extension to the completion of the contract in accordance with its terms, our Group may face claims for liquidated damages of up to HK\$9.8 million, if it could be established a breach of contract on our part, as advised by the Legal Counsel. For further details, please refer to the paragraph headed "Business – Legal and Administrative Proceedings and Possible Claims" set out in this prospectus. As of the Latest Practicable Date, our Group had not received any claim for damages from any third party arising from or in connection with these incidents. Notwithstanding that in both projects there is no limitation period set out under the respective contracts entered into between our Group and our customers which bars the time period upon expiration of which our customers cannot institute claims against our Group, the Limitation Ordinance (Chapter 347 of the Laws of Hong Kong) provides that legal actions founded on a simple contract or tort shall not be brought after six years from the date on which the cause of action accrued save for claims for specific performance of a contract or for an injunction or for other equitable relief and action for damages for negligence where in the latter case, the period is either (i) six years after the cause of action accrued, or (ii) three years from the date of knowledge required for bringing an action for damages and a right to bring such an action, whichever is later. The incident in respect of the Ma Tau Wai Road Project first occurred in January 2013 and so the limitation period (both in contract and tort) will expire in or about January 2019. The incident in respect of the Hing Hong Road Project was first notified in September 2014 and so the limitation period (both in contract and tort) will expire in or about September 2020. We cannot assure that similar incidents will not happen in the future. In the event that similar incidents happen, we may be involved in claims and disputes from third parties and additional costs for remedial works may also be incurred. In addition, in the event that we are not able to obtain extension of time from our customers, any delay in our foundation works may cause liquidated damages liable to our customers.

RISK FACTORS

Our business relies on successful tenders that determine the award of our foundation works and/or associated works contracts and is non-recurring in nature

During the Track Record Period and up to the Latest Practicable Date, we derived all of our turnover from foundation and/or associated works projects in the private sector in Hong Kong. Our future growth and success will depend on our ability to continue to secure tender and contract awards. In addition, our business is contract-based and on a non-recurring basis. We do not have long-term commitment with our customers and our customers may vary from year to year.

During the Track Record Period and up to the Latest Practicable Date, we secured our foundation projects through competitive tender process. We cannot assure that our current customers will continue to include us in the tendering process or whether we will be able to seek new customers, or that we will be able to secure project awards from our customers in the future. Upon the completion of our contracts on hand, our financial performance may be adversely affected if our Group is unable to secure new tenders or obtain new contract awards with comparable contract sums or at all. Accordingly, our historical financial results during the Track Record Period should not be taken as an indication of our future performance. Prospective investors should be aware of the risk of our Group failing to secure future contracts when considering our Group's future prospects.

We make estimation of our project costs in our tenders and any failure to properly estimate the costs involved in the implementation of a project and delay in completion of any project may lead to cost overruns or even result in losses in our projects

Whether we are able to submit tender proposal at a competitive price with adequate profit margin and maintain our profitability depends on various factors. We determine the tender price by taking into account factors including the scope and complexity of the project, the site conditions, required time for completion of the project, estimated construction materials costs, the labour and machinery requirement, extent of sub-contracted works required, our relationship with the potential customers, and the prevailing market conditions. Tender price is important, particularly for private sector projects, because a majority of the contracts entered into by our Group during the Track Record Period were fixed price contracts, and once the tender price is fixed, the contractor generally will have to bear any additional costs incurred. In the event we fail to properly estimate the project costs or if there is any unforeseen factor leading to any increase in cost, we may be subject to cost overruns, which will in turn result in lower profit margin or even a loss for a project.

Further, all of our contracts entered into during the Track Record Period contained specific completion schedule requirements and liquidated damages provisions (i.e. we may have to pay customers liquidated damages if we do not meet the schedules). Liquidated damages are typically levied at an agreed rate for each day of delay that is owing to our default. Any failure to meet the schedule requirements of our contracts could, to the extent that time extension is not granted by our customers, cause us to pay significant liquidated damages, which would reduce or diminish our profit expected to generate from the relevant contracts. During the Track Record Period and up to the Latest Practicable Date, our Group was involved in five claims for liquidated damages, three of which were settled with an aggregate amount of approximately HK\$876,000. As at the Latest Practicable Date, two of

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the claims were still under negotiation or unsettled, with a maximum amount of liquidated damages up to approximately HK\$12.5 million. Further, as set out under “Risk Factor – We may be liable for claims for damage caused to the buildings adjacent to our construction sites and may suffer additional costs for undertaking remedial works or may incur liquidated damages for project delay” above, due to the delay in completion of our works in the Hing Hon Road Project and Ma Tau Wai Road Project, we may be exposed to potential claims for liquidated damages from our customers in the aggregate amount of approximately HK\$14.9 million. For further details of the claims for liquidated damages, please refer to the paragraph headed “Business – Legal and Administrative Proceedings and Possible Claims – (i) Settled outstanding and potential claims for liquidated damages from our customers during the Track Record Period and up to the Latest Practicable Date” in this prospectus.

There is no assurance that we will not encounter cost overruns or delays on our current and future projects and our customers may not agree to extend the completion date. If such cost overruns or delays occur, we may experience increase in costs exceeding our budget or be required to pay liquidated damages, hence reducing or diminishing profits that generate from our contracts, and may result in material adverse impact on our operation and financial performance.

We are exposed to our customers’ credit risks and our liquidity position may be adversely affected if our customers fail to make payment on time or in full

In general, for our contracts, we submit regular payment applications to our customers and normally require our customers to make progress payments calculated in accordance with the value of works completed, which may include variation works and claims, if any. The billings for each project are made in accordance with the stipulated terms and conditions of the respective contracts. Progress payment is generally made regularly by reference to the value of works done in that month whereas retention money is withheld by our customers and is only released upon the expiry of the defect liability period or a pre-agreed time period. Please refer to the paragraph headed “Business – Operations – Project Implementation Phase – Certification and payment of works” in this prospectus for further details.

The credit terms in relation to the settlement of amounts due from our customers arising from the projects carried out by our Group vary from contract to contract. Our credit terms typically range from 14 to 30 days from the date of invoice, depending on the terms and conditions of the contracts. Our trade debtors were approximately HK\$65.9 million, HK\$90.4 million, HK\$57.4 million and HK\$80.6 million as at 31 March 2012, 2013, 2014 and 30 September 2014, respectively. We did not experience material difficulty in collecting the receivables during the Track Record Period and accordingly did not make any provision for doubtful debt. However, there is no assurance that the financial position of our customers will remain healthy in the future. We also cannot assure that we will be able to collect receivables from our customers on a timely basis or that there will not be any future dispute in terms of collection of receivables with our customers which may result in significant delay in receivables collection.

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In addition, retention monies are generally required by our customers to secure our Group's due performance of the contract. Typically, the amount of retention money is subject to negotiation between the parties and ranges from 5.0% to 10.0% of the value of the works certified, subject to a maximum retention of 5.0% of the awarded contract value or a monetary cap. Our retention receivables amounted to approximately HK\$45.6 million, HK\$50.0 million, HK\$61.5 million and HK\$67.1 million as at 31 March 2012, 2013, 2014 and 30 September 2014, respectively. In the event our customers fail to pay the retention monies on a timely basis or at all, our liquidity may be adversely affected.

Our Group may, from time to time, be engaged in prolonged negotiation of the settlement of payment applications, in particular in respect of final payment, which is not uncommon in the construction industry. If our customers experience financial distress or are unable to settle their payments due to us or release the retention monies to us in a timely manner or at all, our liquidity and the financial condition of our Group could be adversely affected.

We had pending civil proceedings that were brought against us as at the Latest Practicable Date and we may be involved in legal and other proceedings arising from our operations

Although our Group is committed to maintaining a safe working environment at our sites and require our employees to adhere to safety measures and procedures set out in our procedure manual and which complies with regulatory requirements, we cannot guarantee that our employees and those of our sub-contractors will not violate applicable rules, laws or regulations. If our employees or that of our sub-contractors fail to observe the safety measures, accidents causing personal injuries and/or deaths may occur. In such event, we may be liable to make compensation or fines or subject to other legal liability for such personal injury or death as well as business interruptions caused by machinery and equipment shutdowns for investigations and imposition of safety measures. Further, these industrial accidents may prevent our Group from completing our obligation under a contract in accordance with its terms. Our Group may also face legal claims from our customers, sub-contractors, workers, and other parties concerned for losses and damages or face criminal prosecution as a result.

In such events, we may have to incur costs to defend our Group in legal and other proceedings. As at the Latest Practicable Date, we were a party to certain civil proceedings in respect of employees' compensation claim, personal injuries claim and claim from our sub-contractor. During the Track Record Period, we encountered several incidents of disputes or litigation 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 – Legal and administrative proceedings and possible claims" of this prospectus for further information. Legal fees in relation to legal proceedings, including but not limited to those related to industrial accidents, recorded by our Group totalling approximately HK\$30,000, HK\$253,000, HK\$1,664,000 and HK\$848,000 for the three years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014, respectively. If we are not successful in defending our Group in any proceedings, we may be liable to pay for the damages and other fines or penalties. Further, should any claims against us fall outside the scope and/or limit of insurance coverage, our financial position may be adversely

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affected. In the event of serious accidents or fatal accidents, it may also cause our relevant registrations to be suspended or affect the renewal of which, and may even face prosecution against our Group.

There may be discrepancies between the ground investigation findings and the actual geological conditions of the site which may cause our Group additional cost or result in potential claims

Prior to commencement of our foundation works, we may conduct ground investigation or our customers may supply us with ground investigation reports. However, the details uncovered by these reports may not be sufficient to reveal the actual geology beneath our construction site due to limitation in the scope of the underground investigation works that can be carried out at the site or other technical limitations. There may be discrepancies between the actual geological conditions and the findings set out in these investigation reports, and the investigation may not be able to reveal the existence of rocks or identify any antiquities, monuments or structure beneath the site. All these may eventually present potential issue in the carrying out of the foundation and/or associated works or even affect the foundation layout design, thereby exposing our Group to uncertainties in the course of implementation of our projects, our Group may incur additional costs in dealing with these unforeseen conditions, and it may cause delay in completion of the projects, resulting in potential claims for liquidated damages from our customers.

We may be liable for damage caused to underground utilities and infrastructures beneath our construction site when carrying out foundation works and/or associated works

When we carry out foundation works and/or associated works, we may encounter fresh and flush water piping, electric cables, optical fibre telephone line and high pressure gas mains and other utilities and infrastructures which are laid underground or below carriageways and footways. If damage is made to those utilities during our works, we may be liable for the costs for the repair of such damaged utilities and infrastructures and the relevant remedial works will increase our costs for the projects and may cause delay in our project schedule.

Our profitability may be adversely affected if there are material changes in the sub-contracting charges or construction materials costs after tendering

Sub-contracting charges and construction material costs represent a significant portion of our direct costs. During the Track Record Period, (i) sub-contracting charges amounted to approximately HK\$166.6 million, HK\$225.6 million, HK\$166.5 million and HK\$89.8 million, respectively (representing about 57.9%, 61.7%, 55.7% and 59.4% of our direct costs, respectively); and (ii) construction materials costs amounted to approximately HK\$74.7 million, HK\$86.7 million, HK\$85.0 million and HK\$39.4 million, respectively (representing 25.9%, 23.7%, 28.4% and 26.1% of our direct costs, respectively).

We prepare tenders with reference to our estimated construction costs, including but not limited to sub-contracting charges and construction material costs. However, the related actual sub-contracting costs and construction material costs will not be determined during

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the tender preparation stage. In the event we fail to accurately estimate the amount of sub-contracting charges or construction materials costs, or if there is a significant increase in the construction material costs, or where we come across unforeseen circumstances such as technical difficulties or project delay leading to a material increase in the sub-contracting charges, our profitability may be adversely affected and in extreme cases may lead to loss for a project.

Our insurance may not fully cover all the potential claims and losses arising from our projects

For projects where our Group acts as the main contractor, we take out employees' compensation insurance and contractor's all risks insurance which cover our Group's and our sub-contractors' employees of all tiers, and works performed by them. Similarly, where we undertake the role of sub-contractor in a project, we are covered by the employees' compensation insurance and contractor's all risks insurance taken out by the project main contractor. Nonetheless, there is no assurance that all losses and expenses suffered by our Group arising from or in connection with damage to property or other claims arising from or in connection with projects undertaken by our Group can be fully covered by the contractor's all risks insurance. To the extent that our insurance does not cover such claims, losses and expenses, it may adversely affect the financial position of our Group. Claim of such nature may also expose us to the risk of bearing higher insurance premiums in the future and may bring damage to the reputation of our Group creating negative publicity.

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

We experienced fluctuation in our turnover over the Track Record Period. Our turnover increased from approximately HK\$365.9 million for the year ended 31 March 2012 to approximately HK\$468.1 million for the year ended 31 March 2013 despite followed by a dip to approximately HK\$381.8 million for the year ended 31 March 2014. As at the date of this prospectus, the contract sum (excluding all contingent and/or provisional contract amount) for the contracts on hand (including contracts in progress and contracts of which our work has yet to commence) amounted to approximately HK\$1,017.0 million. We may experience delays in the commencement or progress of our work due to factors outside our control such as change in design by our customers, and delays in obtaining governmental approvals for commencement of works by other parties to the contracts.

In addition, for the three years ended 31 March 2014 and the six months ended 30 September 2014, our Group recorded gross profit of approximately HK\$78.0 million, HK\$102.6 million and HK\$82.6 million and HK\$34.1 million, respectively; and net profit margin of approximately 16.1%, 16.9%, 16.0% and 11.9%, respectively. Given the ongoing competition faced by our Group, compounded with possible increases in sub-contracting charges, construction materials and labour costs, there is no assurance that our Group will be able to maintain the gross profit margin, net profit margin and other financial results in the future at a similar level achieved during the Track Record Period.

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

We rely on sub-contractors to help complete our projects and to supply the machinery required

In line with the usual practice of the foundation industry in Hong Kong, we engage third party sub-contractors to perform a portion of the works under our contracts instead of retaining a large pool of labour with different skill sets to maximize our cost efficiency and flexibility. We also rely on our sub-contractors for supply of machinery required for carrying out of foundation works and/or associated works. During the Track Record Period, our five largest sub-contractors accounted for approximately 40.7%, 58.2%, 50.8% and 53.7% of our total purchase for each of the three years ended 31 March 2014 and the six months ended 30 September 2014, respectively. During the Track Record Period, our total sub-contracting costs accounted for approximately 57.9%, 61.7%, 55.7% and 59.4% of our direct costs for each of the three years ended 31 March 2014 and the six months ended 30 September 2014, respectively.

Other than any significant increase in the sub-contracting costs that may impact on our profitability, we may also be exposed to other legal liabilities if we are not able to monitor the performance of our sub-contractors, or if our sub-contractors violate any laws, rules or regulations in relation to health and safety matters. We are also exposed to risks associated with non-performance, delayed performance or sub-standard performance by sub-contractors or its employees which may result in a delay in the delivery of our works. We may also incur additional costs due to delay in schedule or if there is any defect in the works of the sub-contractor or if there is any accident causing personal injuries or death of the sub-contractors' employees, we may be subject to liability under the relevant contract for our sub-contractor's performance. These events may impact upon our profitability, financial performance and reputation, as well as result in litigation or damage claims.

In addition, pursuant to the Employment Ordinance, a principal contractor or a principal contractor and every superior sub-contractor shall be jointly and severally liable to pay any wages that become due to an employee who is employed by a sub-contractor on any work which the sub-contractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance. Our operations and hence our financial position may thereby be adversely affected if any of our sub-contractors violates their obligations to pay their employees.

We rely on a stable supply of skilled labour to carry out our foundation works and/or associated works projects

Our foundation works and/or associated works generally require skilled labour input. For any given project, workers with different skills may be required. During the Track Record Period, our labour costs, as part of direct costs, amounted to approximately HK\$13.5 million, HK\$12.8 million, HK\$12.6 million and HK\$6.5 million, respectively, representing approximately 4.7%, 3.5%, 4.2% and 4.3% of our total direct costs, respectively.

RISK FACTORS

According to the Ipsos Report, the shortage of skilled construction workers is expected to result in an increase in the average hourly wage of construction workers in Hong Kong in the next few years. However, there is no guarantee that the supply of skilled labour and average labour costs will be stable. Further, there can be no assurance that there is no further increase in the minimum wages requirements under the Minimum Wage Ordinance or enactment of new labour laws, rules and regulations which may lead to further increases in our labour costs. In the event that we fail to retain our existing labour and/or recruit skilled labour in a timely manner to cope with the demand of our existing or future projects and/or there is a significant increase in the costs of labour, we may not be able to complete our projects on schedule and within our estimated budgets and our operations and profitability may be adversely affected.

Labour strikes, union actions or work stoppages may affect our business

Our industry requires highly specialised labour to carry out different types of foundation works. Labour strikes, union actions or work stoppages of any types of foundation works may disrupt the progress of our projects. During the Track Record Period, our Group did not encounter any strike or stoppage. Nonetheless, we cannot assure that any strikes or union actions will not be launched in the future. In the event that such strikes or union actions are launched, our business performance and profitability may be adversely affected.

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

Our principal construction materials include concrete and steel. During the Track Record Period, the costs of construction materials amounted to approximately HK\$74.7 million, HK\$86.7 million, HK\$85.0 million and HK\$39.4 million, respectively, representing approximately 25.9%, 23.7%, 28.4% and 26.1% of our direct costs, respectively. We have relied on a few suppliers to supply our main construction materials and purchases from our five largest suppliers accounted for approximately 20.5%, 24.8%, 26.8% and 24.4% of our total purchase for the years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014, respectively.

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

RISK FACTORS

Defect liability claims

Under the usual terms of our contracts, our customers normally require a defect liability period during which we are responsible for rectifying all defective works, if any, during such defect liability period. The defect liability period, if any, is normally 12 months after the practical completion of the contract works or for such other period as our customer may specify depending on the nature and the scale of the entire project. In the event that there is any significant claims raised by our customers or other parties against us for defect liability or any default or failure in relation to our works, we may incur significant amount in rectifying such defects or in settling such claims and in such event our profitability would be adversely affected.

The price of our variation works may not be clearly determined

Our customers may, in the course of project implementation, make “variation order” to our Group and request our Group to alter the scope of works or perform additional works on top of the terms and scope of original contracts by way of “variation order”. The terms of these “variation order” are agreed between our Group and the quantity surveyor authorised by the customer in accordance with the principles that, inter alia, any additional work carried out which is the same as or similar in character to and executed under the same or similar conditions and circumstances to any item of work priced in the original contract shall be valued at the rate set out in the original contract for such item of work. In the event our Group and the quantity surveyor authorised by the customer fail to reach an agreement on the rate at which the variation works are determined, or if we and our customers take different views on the valuation on variation work, there may arise dispute and the settlement of our payment applications may be prolonged and thereby affect our liquidity and financial position. There is also no assurance that we will be able to maintain the same or similar profit margins for works performed under these variation orders.

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

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

One of our Controlling Shareholder has interest in a potential competing business

Longo is a sole proprietorship owned by Mr. Cheng and is principally engaged in the provision of foundation, site formation and general building works in Hong Kong, which might have potential competition with our Group’s business. Despite Mr. Cheng, Wealth Celebration and Longo have entered into the Longo Deed of Non-Competition with our Group, in the event that the provision of such deed is not complied with our Group may be exposed to potential competition from Longo in the foundation business and may suffer loss of new business opportunities, resulting in adverse impact on the Group’s business

RISK FACTORS

operations, results and financial conditions. For further details concerning the business of Longo and the Longo Deed of Non-Competition, please refer to the section headed “Relationship with Controlling Shareholders – Competing Interest of our Controlling Shareholder” in this prospectus.

RISKS RELATING TO THE FOUNDATION INDUSTRY IN HONG KONG

Our performance depends on market conditions and trends in the construction industry and in the overall economy

All our operations and management were located in Hong Kong during the Track Record Period and up to the Latest Practicable Date. Given our customers are mostly private sector property developers, the future growth and profitability of the foundation industry largely depends on the continued prosperity of the property market and the construction industry in Hong Kong. The nature, extent and timing of these construction projects will, however, be determined by an interplay of a variety of factors, including the Government’s policies on the property market in Hong Kong, its land supply and public housing policy, the investment of property developers and the general conditions and prospects of Hong Kong’s economy. These factors may affect the availability of construction projects from the private sector or other institutional bodies. Our Group believes that since the construction sectors are cyclical in nature, the demand of our service may be reduced with the downturn in the construction sector, as well as reduction in the overall value and number of property development projects due to economic downturn. As such, our performance and profitability may be adversely impacted. Other factors include cyclical trends in the economy as a whole, fluctuations in interest rates and the availability of new projects in the private sector. During the Track Record Period, our Group derived all our turnover in Hong Kong market. If there is any recurrence of recession in Hong Kong, deflation or any changes in Hong Kong’s currency policy, or if the demand for construction works in Hong Kong deteriorates, our operations and profitability could be adversely affected.

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

Weather conditions, natural disasters and other acts of God which are beyond our control may materially and adversely affect the economy, the foundation industry and our business. Our operations and financial condition may be adversely affected. Political unrest may also cause damage or disruption to our business, our employees and our markets, any of which could materially and adversely affect our overall results of operations and financial condition.

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

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

Changes in the rules and regulation governing the construction industry, the licensing regime and other health, work safety and environmental responsibilities may adversely affect our operations and profitability

Under the relevant laws of Hong Kong, construction and foundation works are required to comply with certain registration requirements and fulfil certain health, safety and environmental responsibilities. In the event that there is any changes in the current regulatory regime that governs the foundation industry, we may incur more costs in complying with the new requirements, and failing which may lead to the suspension or ceasing of our relevant registration to operate our business or result in regulatory non-compliances and, in turn, adversely affect our operation and financial results.

We operate in a competitive industry

According to the Ipsos Report, the foundation industry in Hong Kong has a number of participants and is competitive. For instance, as of the Latest Practicable Date, there were 137 contractors registered as Specialists Contractors, Sub-register of Foundation Works Category at the Buildings Department. Our sub-contractors may also pose as our potential competitors and occasionally, new market participants emerge provided that they possess the appropriate skills, local experience, necessary machinery and equipment, capital and are granted the requisite registrations by the relevant governmental authorities. Increased competition may result in lower operating margins and loss of market share, resulting in an adverse impact on our profitability and operating results.

The state of economy in Hong Kong

Our performance and financial conditions depend on the state of economy in Hong Kong. We derived all our turnover in the Hong Kong market. If there is a downturn in the economy of Hong Kong, our results of operations and financial position may be adversely affected.

The state of political environment in Hong Kong

Hong Kong is a special administrative region of the PRC. It enjoys a high level of autonomy under the principle of “one country, two systems” in accordance with 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. Since the conclusion of our Track Record Period, there have been large scale demonstrations and protests in Hong Kong seeking reform of the electoral system for the Hong Kong Chief Executive. Any change in Hong Kong’s existing political environment may bring about instability of the economy in Hong Kong, thereby adversely affects the construction industry in which we operate.

RISK FACTORS

RISKS RELATING TO THE SHARE OFFER AND OUR SHARES

Investors will experience immediate dilution

Because the Offer Price of our Shares is higher than the net tangible book value per Share immediately prior to the Share Offer, purchasers of our Shares in the Share Offer will experience an immediate dilution in the unaudited pro forma adjusted net tangible assets value to HK\$0.18 per Share, based on the maximum Offer Price of HK\$0.80.

An active trading market for our Shares may not develop

Prior to the Share Offer, there was no public market for our Shares. The Offer Price is the result of negotiations between our Company (for ourselves and on behalf of our Selling Shareholders) and the Sole Bookrunner (for itself and on behalf of the Underwriters), and may differ from the market prices of the Shares after the Share Offer. However, there is no assurance that the Share Offer will result in the development of an active and liquid public trading market for the Shares.

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

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

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

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

The Offer Price will be determined on the Price Determination Date, which is expected to be on Thursday, 9 April 2015. However, trading of the Shares on the Main Board will not commence until the Listing Date, which is expected to be on Thursday, 16 April 2015. During this period, investors may not be able to sell or otherwise deal in the Shares. Accordingly, holders of the Shares are subject to the risk that the Shares' price could fall before trading begins resulting from adverse market conditions or other adverse developments that could occur between the time of the sale and the time trading begins.

RISK FACTORS

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 is set out in the paragraph headed "Cayman Islands Company Law" in Appendix IV to this prospectus.

Investors of our Shares may experience dilution as a result of additional equity fund raising

After Listing, we may issue additional Shares to raise additional funds to finance our business expansion. Such fund-raising activities may be made through issue of new equity or equity-linked securities of our Company, which are not made on a pro rata basis to existing Shareholders. In such event, (i) the percentage ownership of those existing Shareholders may be reduced, and they may experience subsequent dilution; and/or (ii) such newly issued securities may have rights, preferences or privileges superior to those of the ordinary Shares held by existing Shareholders.

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

Prevailing market price of Shares may, after Listing, be negatively impacted by future issue of Shares by our Company or the disposal of Shares by any of its Shareholders or the perception that such issue or sale may occur. The Shares held by the Controlling Shareholders are subject to certain lock-up undertakings for periods up to 12 months after the Listing Date. For further information, please refer to the section headed "Underwriting" in this prospectus. We cannot give any assurance that they will not dispose of Shares they may own now or in the future. We cannot predict the subsequent effect on the market price of our Shares after any of such disposal. Sale of substantial amounts of the Shares by any of our existing Shareholders, or the market perception that such sales may occur, could have a material and adverse effect on the prevailing market price of our Shares.

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

Certain statistics, facts, data and forecasts presented in the section headed "Industry Overview" and elsewhere in this prospectus including those relating to Hong Kong, the Hong Kong economy, and the foundation industry have been derived, in part, from various publications and industry-related sources prepared by governmental officials or Independent Third Parties. Such statistics, facts, data and forecasts have not been independently verified by us, the Sole Sponsor, the Sole Bookrunner, and the Underwriters or any of their

RISK FACTORS

respective affiliates or advisers or any other parties involved in the Share Offer and no representation is given as to their accuracy and completeness. Therefore our Group makes no representation as to the accuracy of such statistics, facts, data, forecasts and other information, which may not be consistent with other information compiled within or outside Hong Kong. Due to the possible flawed or ineffective collection methods or discrepancies in the published information, market practice and other problems, the statistics from official government publications referred to or contained in this prospectus may be inaccurate or may not be comparable to statistics produced for other economies. In addition, there is no assurance and guarantee that they were stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

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

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 our Group 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 Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Underwriters, the directors, officers, employees, advisers, agents or representatives of any of them, or any other parties (collectively, the “Professional Parties”) involved in the Share Offer has authorised the disclosure of such information in any press or media, and neither the press reports, any future press reports nor any repetition, elaboration or derivative work were prepared by, sourced from, or authorised by us or any of the Professional Parties. Neither we nor any Professional Parties accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is not contained in this prospectus or is inconsistent or conflicts with the information contained in this prospectus, we disclaim any responsibility, liability whatsoever in connection therewith or resulting therefrom.

Accordingly, prospective investors should not rely on any such information in making your decision as to whether to subscribe for the Offer Shares. You should rely only on the information contained in this prospectus and the Application Forms.

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

For the years ended 31 March 2012, 2013, 2014 and the six months ended 30 September 2014, In Construction declared dividends of approximately HK\$12.3 million, HK\$102.3 million, nil and HK\$186.0 million, respectively to its then shareholders.

RISK FACTORS

After Listing, any declaration of dividends proposed by our Directors and the amount of any such dividends will depend on various factors. These factors include our results of operation, financial conditions, future prospects and other factors which our Directors may then consider to be important. For further details of the dividend policy of our Company, please see the paragraph headed “Financial information – Dividend Policy” in this prospectus. Dividends declared in the past are not indicative of our future dividend policy. We cannot guarantee if and when dividends will be paid in the future.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus contains particulars given in compliance with 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 to the public with regard to our Company. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus. Having made all reasonable enquiries, our Directors 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 in any material respect, and there are no other matters the omission of which would make any statement in this prospectus misleading.

INFORMATION ON THE SHARE OFFER

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

UNDERWRITING

This prospectus is published solely in connection with the Public Offer, which forms part of the Share Offer. For applicants under the Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Public Offer. Details of the terms of the Share Offer are described in the section headed "Structure and Conditions of the Share Offer" in this prospectus.

The Listing is solely sponsored by the Sole Sponsor. The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement. The Placing Underwriting Agreement is expected to be entered into on or about the Price Determination Date. For details of the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF OFFER SHARES

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

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

No action has been taken in any jurisdiction other than Hong Kong to permit an offering of the Public Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Public 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.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, our Shares in issue, the Offer Shares (including any additional Shares which may be issued pursuant to the exercise of any of the Adjustment Options). Dealings in our Shares on the Stock Exchange are expected to commence on or around Thursday, 16 April 2015.

None of our Shares or loan capital are listed on or dealt in on any other exchange and no such listing or permission to list is being or proposed to be sought in the near future.

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, our 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.

SHARES WILL BE ELIGIBLE FOR CCASS

Subject to the granting of listing of, and permission to deal in, our Shares on the Stock Exchange and the compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

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

All necessary arrangements have been made for our Shares to be admitted into CCASS. If you are unsure about the details of CCASS settlement arrangements and how such arrangements will affect your rights and interests, you should seek the advice of your stockbrokers or other professional advisers.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Share Offer are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, holding or disposal of, and dealing in our Shares (or exercising rights attached to them). None of us, the Selling Shareholders, the Sole Sponsor, the Sole Bookrunner, any of the Underwriters, any of their respective directors or any other person or party involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

ADJUSTMENT OPTIONS AND STABILISATION

Details of the arrangements relating to the Adjustment Options and the related stabilisation exercise are set out in the section headed “Structure and Conditions of the Share Offer” of this prospectus.

STOCK BORROWING ARRANGEMENT

Details of the stock borrowing arrangement are set out in the section headed “Structure and Conditions of the Share Offer” of this prospectus.

REGISTER OF MEMBERS AND STAMP DUTY

All the Shares issued pursuant to applications made in the Public Offer and the Placing will be registered on the register of members of our Company maintained in Hong Kong at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong. We will maintain the Company’s principal register of members in the Cayman Islands at Appleby Trust (Cayman) Ltd..

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

LANGUAGE

The English language version of this prospectus has been translated into the Chinese language, and the English and Chinese versions of this prospectus are being published separately. If there is any inconsistency between English and Chinese versions of this prospectus, the English version shall prevail.

PROCEDURE FOR APPLICATION FOR PUBLIC OFFER SHARES

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

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

STRUCTURE OF THE SHARE OFFER

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

ROUNDING

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

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential Address	Nationality
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Executive Directors

Mr. Lau Pak Man (劉伯文)	Flat B, 33/F, Blk 2 The Leighton Hill 2B Broadwood Road Happy Valley	Chinese
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Mr. Cheng Wing Cheong (鄭榮昌)	Flat 7H, Gallant Court 2 Belfran Road, Kowloon Hong Kong	Chinese
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Ms. Kwan Kit Sum Kit (關潔心)	Flat B, 33/F, Blk 2 The Leighton Hill 2B Broadwood Road Happy Valley	Chinese
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Independent non-executive Directors

Leung Chi Kin (梁梓堅)	Number 117, Mau Po Clearwater Bay, New Territories Hong Kong	Chinese
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Lam Chi Hung Louis (林志雄)	Flat H, 3/F, Blk 17 Ocean Shores 88 O King Road Tseung Kwan O, N.T.	Chinese
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Yau Chi Man Norman (also known as Iao Chi Meng) (丘子敏)	1/F, 180 Hilltop Garden Pun Shan Chau Tai Po New Territories Hong Kong	Chinese
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Further information is disclosed in the “Directors and Senior Management” section.

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor	Oriental Patron Asia Limited 27th Floor Two Exchange Square 8 Connaught Place Central Hong Kong
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DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

**Sole Bookrunner and
Sole Lead Manager**

Oriental Patron Securities Limited
27th Floor
Two Exchange Square
8 Connaught Place
Central
Hong Kong

Public Offer Underwriters

Oriental Patron Securities Limited
27th Floor
Two Exchange Square
8 Connaught Place
Central
Hong Kong

Head & Shoulders Securities Limited
Room 2511, 25/F
Cosco Tower
183 Queen's Road Central
Hong Kong

SBI China Capital Financial Services Limited
Unit A2, 32/F
United Centre
95 Queensway, Admiralty
Hong Kong

Legal advisers to our Company

As to Hong Kong Law:
CFN Lawyers
In association with Broad & Bright
27th Floor
Neich Tower
128 Gloucester Road
Wan Chai
Hong Kong

As to Cayman Islands Law:
Appleby
2206-19 Jardine House
1 Connaught Place
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Legal adviser to the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Underwriters	As to Hong Kong Law: Eversheds 21/F Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong
Reporting accountants	KPMG 8/F Prince's Building 10 Chater Road Central Hong Kong
Property valuer	Grant Sherman Appraisal Limited Unit 1005, AXA Centre 151 Gloucester Road, Wanchai Hong Kong
Receiving Bank	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong

CORPORATE INFORMATION

Registered office	Appleby Trust (Cayman) Ltd. Clifton House 75 Fort Street PO Box 1350 Grand Cayman KY1-1108 Cayman Islands
Headquarters, head office and principal place of business in Hong Kong	26/F., Park Avenue Tower 5 Moreton Terrace Causeway Bay Hong Kong
Company's website	http://www.inconstruction.hk/ <i>(Note: information on the website does not form part of this prospectus)</i>
Company secretary	Chow Chun To, CPA Flat 1404, Fuk Tai Hse, Ka Fuk Est., Fanling, Hong Kong
Audit Committee	Leung Chi Kin (<i>Chairman</i>) Lam Chi Hung Louis Yau Chi Man Norman (also known as Iao Chi Meng)
Remuneration Committee	Yau Chi Man Norman (also known as Iao Chi Meng) (<i>Chairman</i>) Kwan Kit Sum Kit Leung Chi Kin
Nomination Committee	Lam Chi Hung Louis (<i>Chairman</i>) Cheng Wing Cheong Yau Chi Man Norman (also known as Iao Chi Meng)
Authorised representatives	Kwan Kit Sum Kit Flat B, 33/F, Blk 2, Leighton Hill, 2B Broadwood Road, Happy Valley, Hong Kong Chow Chun To Flat 1404, Fuk Tai Hse, Ka Fuk Est., Fanling, Hong Kong

CORPORATE INFORMATION

Compliance adviser	Oriental Patron Asia Limited
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited HSBC Main Building 1 Queen's Road Central Hong Kong Wing Lung Bank Limited 45 Dex Voeux Road Central Hong Kong Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong
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

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 Hong Kong Limited (“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 or 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 Selling Shareholders, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, any of the Underwriters, 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.

SOURCE OF INFORMATION

We have commissioned Ipsos, an independent market research company, to analyse and report on, among others, the trends of the construction industry including the foundation industry in Hong Kong for the period from 2009 to 2018 at a fee of HK\$328,000 and our Directors consider that such fee reflects market rates. To ensure accurate analysis of the stated industries, Ipsos has adopted a full-circle information collection methodology that combines (a) desk research which covers public materials including government statistics, journals and financial reports; and (b) primary research which involves interviewing key stakeholders and industry experts in Hong Kong, including main contractors, developers, architectures, surveyors, industry experts and associations. The information and statistics as set forth in this section have been extracted from the Ipsos Report.

Founded in Paris, France, in 1975 and publicly-listed on the NYSE Euronext Paris in 1999, Ipsos SA acquired Synovate Ltd. in October 2011. After the combination, Ipsos becomes the third largest research company in the world which employs approximately 16,000 personnel worldwide across 85 countries. Ipsos conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence. Ipsos is independent of our Group and none of our Directors or their associates has any interest in Ipsos.

Our Directors confirm that Ipsos, including all of its subsidiaries, divisions and units, are independent of and not connected with us (within the meaning of the Listing Rules) in any way. Ipsos has given its consent for us to quote from the Ipsos Report and to use information contained in the Ipsos Report in this prospectus.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Ipsos Report and various official government publications.

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ASSUMPTIONS AND PARAMETERS USED IN THE IPSOS REPORT

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

- The supply of construction services, including foundation works, is assumed to be stable over the forecast period;
- There is no external shock such as financial crisis or natural disasters to affect the demand for and supply of construction service, including site formation and clearance, piling and related foundation works, erection of architectural superstructure and civil engineering construction over the forecast period;
- Data for gross output values refers to the values of construction works in nominal terms. This assumption is applicable throughout the Ipsos Report, unless otherwise specified; and
- In the Ipsos Report, public sector construction projects cover projects in which the government or a quasi-government or public body (such as the Housing Authority) is involved. Private sector construction projects generally refer to projects outside the scope of public sector projects, and cover projects involving private property developers, as well as organisations or institutions other than governmental departments, including the Hong Kong Housing Society.

The following parameters have been taken into account in the market sizing and forecast model in the Ipsos Report:

- GDP value and GDP growth rate in Hong Kong from 2009 to 2014;
- Gross output value of construction works performed by main contractor and sub-contractor at construction sites in Hong Kong from 2009 to 2014;
- Public expenditure on infrastructure in Hong Kong from 2009 to 2014;
- Total number of public rental housing units supplied by the Housing Authority in Hong Kong from 2009 to 2013;
- Total number of private residential housing units in new completions (representing by the issue of occupation permits) in Hong Kong from 2009 to 2013;
- Estimated number of workers involved in the foundation industry in Hong Kong from 2009 to 2014;
- Turnover of the foundation industry in Hong Kong from 2009 to 2014;
- Estimated average fee per foundation work project in Hong Kong from 2009 to 2014;
- Price trend of raw materials including steel reinforcements and cement from 2009 to 2014; and

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- Price trend of construction worker wages in Hong Kong from 2009 to 2014.

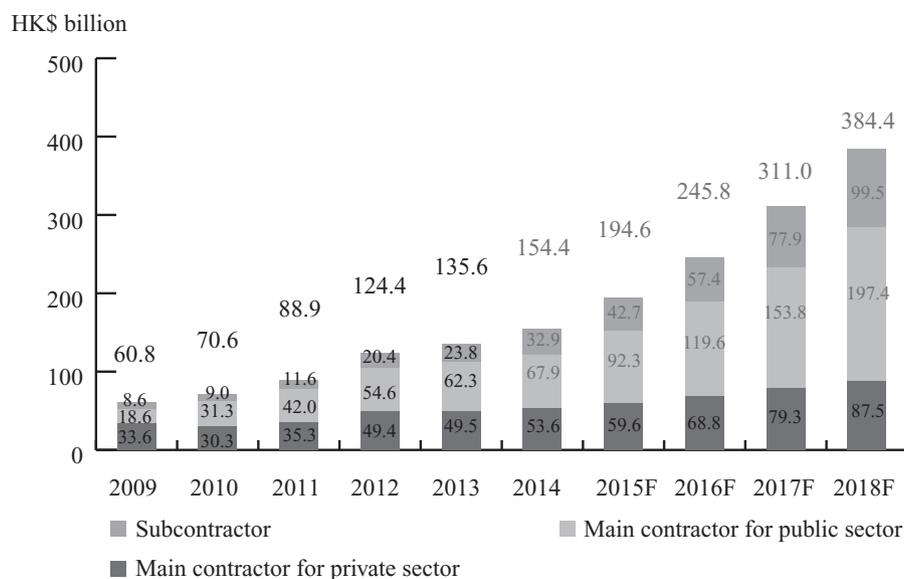
RELIABILITY OF INFORMATION IN THE IPSOS REPORT

Our Directors are of the view that the sources of information used in this section are reliable as the information was extracted from the Ipsos Report. Our Directors believe the Ipsos Report is reliable and not misleading as Ipsos is an independent professional research agency with extensive experience in their profession.

OVERVIEW OF CONSTRUCTION INDUSTRY IN HONG KONG

As show in *chart 1: Gross output value of construction works performed by main contractors and sub-contractors at construction sites in Hong Kong from 2009 to 2018* below, over the period between 2009 and 2014, the construction industry in Hong Kong had exhibited a considerable growth where the total gross output value of construction works in Hong Kong in aggregate increased from approximately HK\$60.8 billion in 2009 to approximately HK\$154.4 billion in 2014, representing a CAGR of about 20.5%.

Chart 1: Gross output value of construction works performed by main contractors and sub-contractors at construction sites in Hong Kong from 2009 to 2018



Sources: Census and Statistics Department, HKSAR; Ipsos Report

The value of projects commissioned by the main contractors for private sector increased from approximately HK\$33.6 billion in 2009 to approximately HK\$53.6 billion in 2014, representing a CAGR of approximately 9.8% while the value of projects commissioned by the main contractors for public sector increased from approximately HK\$18.6 billion to approximately HK\$67.9 billion, representing a CAGR of approximately 29.6%. According to the Ipsos Report, the strong growth of the construction industry in

INDUSTRY OVERVIEW

Hong Kong, especially for the main contractor for public sector, is primarily due to the Government's initiatives in introducing more construction projects to offer more employment opportunities in the construction industry.

Over the next four years between 2015 and 2018, it is expected that the total gross output value of construction works performed by main contractors and sub-contractors at construction sites in Hong Kong will increase from about HK\$194.6 billion in 2015 to HK\$384.4 billion in 2018, representing a CAGR of about 25.5%. The surge is mainly driven by the increase in the gross output value of Hong Kong public sector construction works performed by main contractors, which is expected to grow from about HK\$92.3 billion in 2015 to about HK\$197.4 billion in 2018, showing a CAGR of about 28.8%.

Residential Housing

According to the Ipsos Report, the total number of yearly public rental housing units in Hong Kong provided by the Housing Authority declined from approximately 15,400 units in 2009 to approximately 14,000 in 2013, representing a CAGR of approximately negative 2.4%. On the other hand, the total number of yearly new completions of private residential housing units in Hong Kong grew from approximately 7,100 units in 2009 to approximately 8,300 units in 2013, representing a CAGR of approximately 4.0%. Accordingly, the aggregate yearly housing supply in Hong Kong between 2009 and 2013 ranged from approximately 20,600 units to approximately 27,100 units. The fluctuation in yearly housing supply during the period is attributable to the global financial crisis in the late 2008 and subsequent economic recovery.

Chart 2: Total number of public rental housing units provided by the Housing Authority and private residential housing units in new completion in Hong Kong from 2009 to 2018



Sources: Hong Kong Housing Authority, HKSAR; Rating and Valuation Department, HKSAR; Ipsos Report

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As shown in *Chart 2: Total number of public rental housing units provided by the Housing Authority and private residential housing units in new completion in Hong Kong from 2009 to 2018*, the aggregate of housing supply is expected to grow from approximately 27,500 units in 2014 to approximately 34,800 units in 2018. The anticipated growth is primarily due to (a) the continuous growth of Hong Kong's economy which raises the demand for residential units generally; and (b) the Government's determination to satisfy the housing demand in society as evidenced in the 2014 Policy Address of the Chief Executive of Hong Kong. The followings are among the Government's policy to increase the housing supply in Hong Kong in the near future:

1. *The return of the Land Sale Program*

Since 2010, the Government has resumed the land sale program so as to ease the overheated property market and strive to retain a healthy and sustainable property market. According to its 2014-15 Land Sale Program, out of a total of 34 residential sites in the aforesaid land sale program, 24 of them are new sites. Therefore, the re-launch of the land sale program will be conducive to the advancement of the development of the construction industry in Hong Kong.

2. *Introduction of guaranteeing land for residential supply*

According to the 2014 Policy Address, a vast amount of undeveloped land with development potential in North-East New Territories was identified. The Government intended to provide 20,000 public rental housing units and 8,000 units for home ownership scheme per year in the next decade. In addition, an additional 80 green-belts sites, a zone originally planned to promote the conservation of the natural environment, and "Government, Institution or Community" (G/IC) sites, an area originally planned to serve as a "breathing space" within a high-rise and high-density environment, will be rezoned for residential use.

Commercial and industrial property

Hong Kong has been renowned as an attractive business hub for its free economic structure, lower tax rates and connectivity to markets worldwide as compared to other cities. It attracts leading financial institutions and corporate headquarters to base in Hong Kong in this regard. According to the Ipsos Report, there was a leap in the total number of newly registered companies in Hong Kong from approximately 109,000 companies in 2009 to approximately 167,000 companies in 2014. In addition, the gross floor area of office building grew from approximately 172,000 sq. m. in 2011 to approximately 486,000 sq. m. in 2013. Moreover, due to the rapid growth of Hong Kong's tourism partly as a result of it being geographically close to China, there is a strong demand for quality retail space, shopping malls and hotels. Industry space in Hong Kong including logistics, warehousing and back office also benefited accordingly. According to the 2013 Policy Address of the Chief Executive of Hong Kong, the Government initiated to revive industrial buildings for redevelopment. In addition, it was mentioned in the 2014 Policy Address that a floor area of approximately 430,000 sq. m. for office accommodation under Kai Tak development is

INDUSTRY OVERVIEW

planned to be provided. It is expected that the likelihood of the increase in the supply for commercial and industrial properties will eventually bolster the construction and foundation industry in Hong Kong, according to the Ipsos Report.

Infrastructure

The Government has introduced the “Ten Major Infrastructure Projects” in 2007 as part of its fiscal policy to promote economic development and to create more job opportunities, in particular, in the construction industry. The “Ten Major Infrastructure Projects” include development projects in 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-Macau Bridge, North East New Territories New Development areas and Hong Kong – Shenzhen Western Express Line. According to the Ipsos Report, the public expenditure on infrastructure in Hong Kong rose from approximately HK\$47.7 billion in 2009 to approximately HK\$73.9 billion in 2014, representing a CAGR of approximately 9.2%. It is expected that the public expenditure on infrastructure in Hong Kong will increase from HK\$76.3 billion in 2015 to HK\$98.2 billion in 2018, representing a CAGR of about 8.8%. The strong growth in infrastructure activities will reduce the relative supply of the number of construction contractors available for construction of housing and commercial and industrial properties.

MARKET OVERVIEW OF THE FOUNDATION INDUSTRY IN HONG KONG

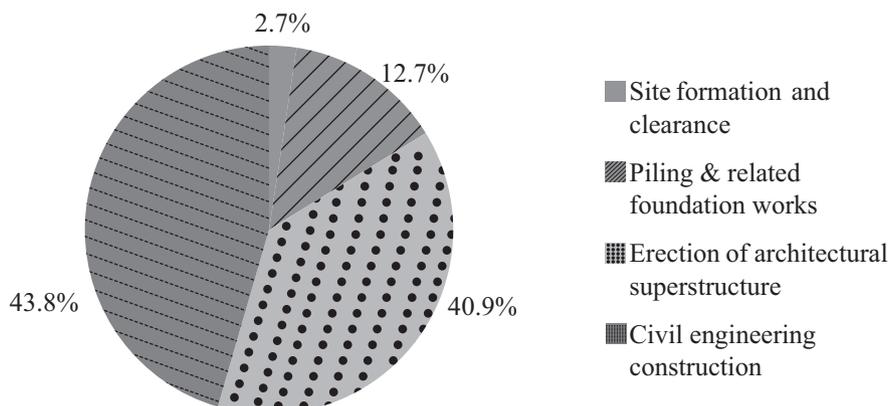
Construction projects originate from land owners, property developers, or the Hong Kong governmental departments. Main contractors source construction projects from these parties to conduct construction works. Then the main contractors either perform the works themselves or outsource to foundation main or even sub-contractors.

Outsourcing works is a common practice in the construction and foundation industries in Hong Kong. Main contractors outsource various construction tasks to sub-contractors, primarily because it is more cost-effective for sub-contractors to manage processes that they are specialised in and it also enables the main contractors to focus on and reserve higher control over their resources.

A typical construction project can be categorised into four major areas, namely (a) site formation and clearance; (b) piling and related foundation works; (c) erection of architectural superstructure; and (d) civil engineering construction.

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Chart 3: Share of gross value of construction works in Hong Kong in 2014

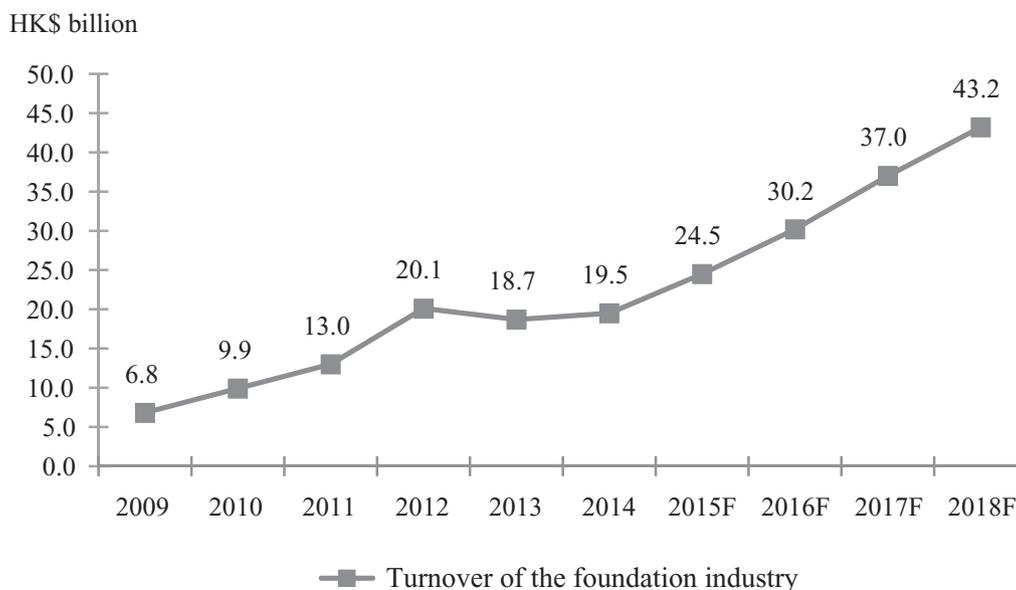


Sources: Census and Statistics Department, HKSAR; Development Bureau, HKSAR; Buildings Department, HKSAR; Ipsos Report

According to *Chart 3: Share of gross value of construction works in Hong Kong in 2014*, the aggregate of piling and related foundation works and site formation and clearance works represents approximately 15.4% out of the total gross value of the said construction works in 2014.

Turnover of the foundation industry in Hong Kong

Chart 4: Turnover of the foundation industry in Hong Kong from 2009 to 2018



Sources: Census and Statistics Department, HKSAR; Ipsos Report

The turnover of the foundation industry in Hong Kong experienced a growth from approximately HK\$6.8 billion in 2009 to approximately HK\$19.5 billion in 2014, representing a CAGR of approximately 23.5%. This growth is primarily driven by the strong demand in infrastructure sector as evidenced by “Ten Major Infrastructure Projects”.

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However, as the foundation works for some large scale infrastructure projects such as the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link (being one of the Ten Major Infrastructure Projects) finished in early 2013, a slight decline in turnover in 2013 was recorded.

According to the Ipsos Report, the turnover of the foundation industry in Hong Kong is expected to rise from approximately HK\$24.5 billion in 2015 to approximately HK\$43.2 billion in 2018, at a CAGR of approximately 20.8% owing to the expected increase in public expenditure on infrastructure and increase in housing supply during the period. *Chart 4: Turnover of the foundation industry in Hong Kong from 2009 to 2018* above sets forth such trend.

Cost of foundation works

Labour costs and costs of material including steel reinforcements and cement are the major cost components for foundation works in Hong Kong. Rising trend of these cost items increases the costs of construction work as well as foundation works.

Chart 5: Price trend of construction worker wages in Hong Kong from 2009 to 2014



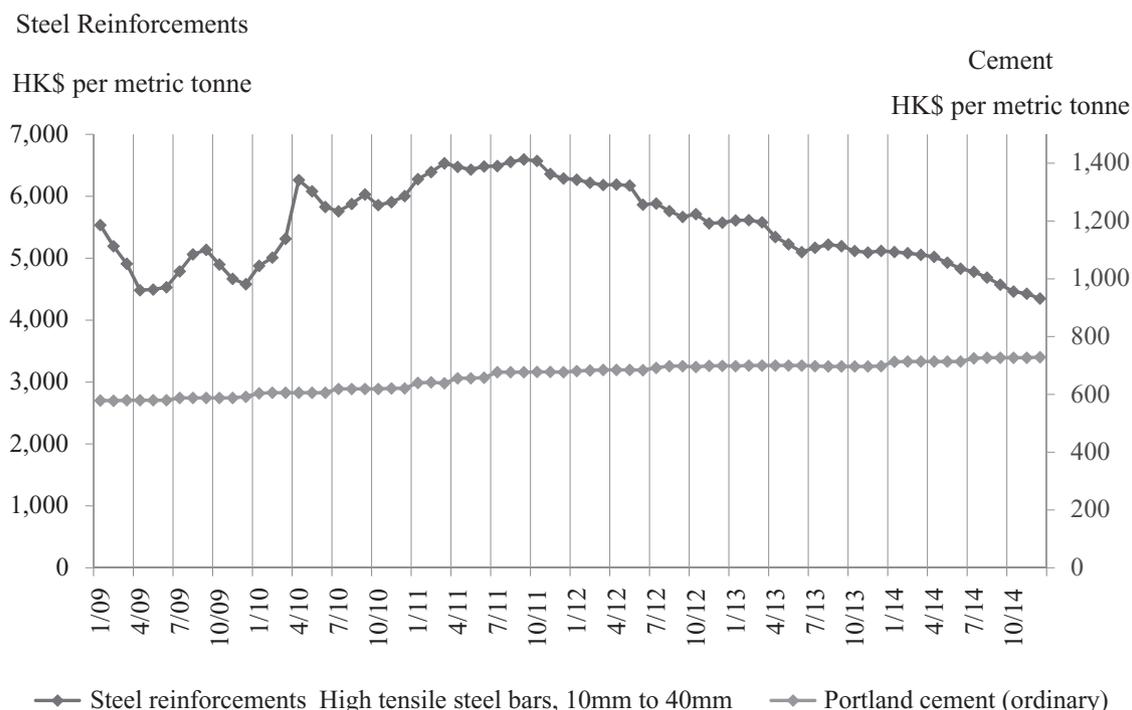
Source: Census and Statistics Department, HKSAR; Ipsos Report

The average wage of construction worker in Hong Kong increased from an estimated HK\$61.8 per hour in 2009 to an estimated HK\$86.9 per hour in 2014, representing a CAGR of about 7.1%. The increase in the wage of construction workers was attributable to a shortage of experienced and skilled workers, caused by a diminishing number of young people joining the construction industry. According to the Ipsos Report, although the number of registered workers in the construction industry increased from around 268,000 in 2009 to around 322,000 in 2013, only around 70,000 registered workers as of May 2014 are active,

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representing activity rate of approximately 21.9%. Workers aged 50 or above constituted 36.6% in 2009 and rose to 44.8% in 2013, while those under the age of 40 dropped from about 34.0% from 2009 to about 31.4% in 2013. Owing to the persistent shortage of workers in the construction industry, it is expected that the average wage of construction worker per hour in Hong Kong will continue surging in the next few years.

Chart 6: Price trend of steel reinforcements and cement in Hong Kong from 2009 to 2014



Sources: Census and Statistics Department, HKSAR; Customs, PRC Government; Ipsos Report

According to the Ipsos Report, average wholesale price of steel reinforcements dropped from approximately HK\$4,857 per metric tonne in 2009 to approximately HK\$4,775 per metric tonne in 2014, representing a CAGR of about negative 0.3%. It peaked at approximately HK\$6,595 per metric tonne in September 2011, resulted from the strong construction demand in Hong Kong. The deepening European debt crisis, together with rising inflation and tightening monetary policy in China brought difficulty in financing and hampered the demand for steel reinforcement from downstream industries, and in particular, the demand for export and industrial production. In 2014, the average wholesale price of steel reinforcement has dropped steadily from HK\$5,101 per metric tonne in January to HK\$4,349 per metric tonne in December. China, being the biggest exporter of steel in the world, has increased its export of steel, due to its slowing down of economic growth and thus insufficient internal demand. It is expected that China will continue to export a high volume of steel and the global supply of steel will inevitably increase. As a result, the average wholesale price of steel reinforcement is expected to maintain its downward momentum.

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Hong Kong's average wholesale price of cement experienced a substantial growth from approximately HK\$584 per metric tonne in 2009 to approximately HK\$720 per metric tonne in 2014, at a CAGR of approximately 4.3%. Such upward price trend was mainly attributable to (a) the appreciation of the Renminbi against Hong Kong Dollars and hence higher commodity prices; (b) the accelerating inflation rate in Hong Kong; and (c) robust market demand in Hong Kong, Macau and China. The average wholesale price of cement in Hong Kong increased from HK\$713 to HK\$729 per metric tonne from January 2014 to December 2014. It is expected that the average wholesale price of cement will maintain the increasing trend due to the strong demand from the construction industry.

Future trends and development of the foundation industry in Hong Kong

Increase in environmental awareness

Advanced piling systems are more preferable in the foundation industry in Hong Kong as they produce less noise and vibration in operation. When the Environmental Protection Department (EPD) receives complaints concerning piling works from the public and the investigation proves that a foundation contractor fails to perform foundation works in accordance with the pertinent regulations, the foundation works will often be brought to a halt. It might lead to financial penalties if there are any delays. Therefore, in avoidance of any risk of delays, advanced piling system will become more prevalent in the coming years.

Stricter sub-contractor registration requirements

The Real Estate Developers Association of Hong Kong ("REDA"), Hong Kong Construction Association ("HKCA") and Hong Kong Federation of Electrical and Mechanical Contractors ("HKFEMC") have been promoting the Sub-contractor Registration Scheme. The REDA has requested its members to lend support by encouraging sub-contractors to register and specifying the engagement of registered sub-contractors for future contracts. It is expected that more contractors will participate in the scheme in the private sector.

COMPETITIVE LANDSCAPE OF THE FOUNDATION INDUSTRY IN HONG KONG

As at the Latest Practicable Date, 137 contractors had registered as Specialist Contractors on the Sub-register of Foundation Works Category at the Buildings Department. Around 81.3% of them are based in Hong Kong. Meanwhile, there were 41 companies registered as Specialist Contractors for Public Works under the land piling category at the Development Bureau as at the Latest Practicable Date. 20 specialist contractors are eligible for undertaking both rock-socketed steel h-pile in pre-bored hole and mini-pile works, about 10 companies had registered under the large diameter bored piling category at the Housing Authority, and nine companies under the Percussive Piling Category at the Housing Authority. According to the Ipsos Report, all of the foundation contractors as abovementioned contributed approximately HK\$19.5 billion turnover to the foundation industry in Hong Kong in 2014.

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Factors influencing competition

Relationship with customers

Foundation contractors become competitive if they maintain good relationships with the Government, property developers or main contractors. Notably, main contractors are more willing to outsource their projects to the foundation contractors which they have good experiences working with.

Reputation and track record

The reputation and credibility of foundation contractors are based on their track record from former projects. Timeliness of delivery, quality of work, capability for innovative design, safety and fulfilments for environmental requirement are all qualities customers value in the foundation industry in Hong Kong. Also, a good safety record is essential to foundation contractors as customers favour partnership with contractors who are capable of delivering quality works with minimal casualties and injuries record. It is important for foundation contractors to have a good reputation within the industry in order to successfully compete for foundation contracts in Hong Kong.

Flexibility

Foundation contractors with higher flexibility in following project timeline are more likely to win projects. They are more capable of sourcing and allocating resources such as skilled labour and machinery, so as to follow the timeline set by their customers. Following the timeline of customers is of significance in the foundation industry as any delays may result in a penalty.

Price

Price is important to property developers and main contractors. In general, customers select foundation contractors with quality assurance that offers a more competitive price.

Entry barriers of the foundation industry

Initial and continuing capital

Foundation contractors are required to fulfil various minimum capital requirements under different registration. For instance, the minimum working capital for land piling (Group II) under Works Branch of the Development Bureau is HK\$8.6 million. Such capital requirement may pose a barrier to some new entrants. Also, foundation contractors in Hong Kong are required to have strong initial and continuing capital to meet various expenses to, including but not limited to, operate the specialised machinery such as crawler cranes, air compressors, hydraulic crawler drills and other equipment needed for foundation works.

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Sufficiency of practical industry experience

Practical experience and reputation in the foundation industry can only be gained upon successful completions of projects. Moreover, customers in the private sector would assess the suitability of tendering foundation contractors based on job reference of their previous projects. New entrants without a record of relevant foundation works performed in the past would be considered as lack of experience and thus unfit for the foundation projects. As a result, they would stand a lower chance of winning the contracts than their experienced competitors.

Top five largest foundation contractors in Hong Kong

According to the Ipsos Report, the top five foundation contractors in Hong Kong accounted for approximately 40.8% of the total market share, while the remaining foundation contractors accounted for approximately 59.2% of the total market share of the foundation industry by turnover in Hong Kong in 2013. Our Group contributed approximately HK\$381.8 million of turnover or about 2.0% (during the period April 2013 to March 2014) of the market share and ranked the ninth of the foundation industry in Hong Kong.

Table: the top five largest foundation contractors in Hong Kong in 2013:

Rank	Name of Company	Headquarter Location	Turnover in 2013 ^{Note} HK\$ million	Share of Total Industry Turnover %
1	Contractor A	Hong Kong	2,284	12.2
2	Contractor B	Beijing	1,855	9.9
3	Contractor C	Hong Kong	1,534	8.2
4	Contractor D	Hong Kong	1,056	5.7
5	Contractor E	Hong Kong	900	4.8
Others			11,026	59.2
Total			18,655	100.0

Source: Ipsos Report

Note: The foundation industry's turnover figure is based on calendar year (i.e. 1 January to 31 December), which is different from our Group's financial year (i.e. 1 April to 31 March)

REGULATORY OVERVIEW

OVERVIEW

Our Group is principally engaged in the provision of foundation works as well as associated works including demolition works, site formation works, ground investigation field works and general building works. During the Track Record Period and up to the Latest Practicable Date, our Group undertook foundation works and associated works for construction projects in the private sector in Hong Kong only. Public sector construction projects cover projects in which the government or a quasi-government or public body (such as the Hong Kong Housing Authority) is involved. On the other hand, private sector construction projects generally refer to projects that do not fall within the scope of public sector projects and cover projects involving private property developers as well as organisations or institutions other than governmental departments, including the Hong Kong Housing Society. We are principally subject to the relevant laws, rules and regulations of Hong Kong. We are also subject to the rules and regulations implemented by the Buildings Department which regulates contractors in the private sector. This section sets out summaries of certain aspects of Hong Kong laws, rules and regulations which are relevant to our operations and business.

HONG KONG LAWS AND REGULATIONS

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

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

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

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

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

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

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

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

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

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

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

The Commissioner for Labour may also issue (i) an improvement notice against any non-compliance of this Ordinance or the Factories and Industrial Undertakings Ordinance; or (ii) a suspension notice against an employer if in general an activity is undertaken at the

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workplace which may create an imminent hazard to the employees. Failure to comply with such notice without reasonable excuse constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000, respectively and imprisonment of up to 12 months.

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

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

Under the Employees' Compensation Ordinance, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to pay compensation even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, an employee who suffers incapacity or death arising from an occupational disease and is due to the nature of his employment in which the employee was employed at any time within the prescribed period is entitled to 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 its sub-contractors' employees who are injured in the course of their employment to the sub-contractors. The principal contractor is, nonetheless, entitled to be indemnified by the sub-contractors who would have been liable to pay compensation to the injured employee. The employees in question are required to serve a notice in writing on the principal contractor before making any claim or application against such principal contractor.

Pursuant to section 40 of the Employees' Compensation Ordinance, all employers (including principal contractors and sub-contractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). Where a principal contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK\$200 million per event to cover his liability and that of his sub-contractor(s) under the Employees' Compensation Ordinance and at common law.

An employer who fails to comply with this Ordinance to secure an insurance cover commits an offence and is liable on conviction upon indictment to a fine at level 6 and to imprisonment for two years.

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

A principal contractor shall be subject to the provisions on sub-contractor's employees' wages under the Employment Ordinance. According to section 43C of the Employment Ordinance, (i) a principal contractor is, or (ii) a principal contractor and every superior sub-contractor are jointly and severally, liable to pay any wages that become due to an

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employee who is employed by a sub-contractor on any work which the sub-contractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance. Such liability shall be limited to (a) the wages of an employee whose employment relates wholly to the work which the principal contractor has contracted to perform and whose place of employment is wholly on the site of the building works; and (b) the wages due to such an employee for two months (such months shall be the first two months of the period in respect of which the wages are due). According to section 43D of the Employment Ordinance, an employee who has outstanding wage payments from the sub-contractor must serve notice in writing on the principal contractor within 60 days after the wage due date. A principal contractor and superior sub-contractor (where applicable) shall not be liable to pay any wages to the employee of the sub-contractor if that employee fails to serve the required notice on the principal contractor.

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

Pursuant to section 43F of the Employment Ordinance, if a principal contractor or superior sub-contractor pays to an employee any wages under section 43C of the Employment Ordinance, the wages so paid shall be a debt due by the employer of that employee to the principal contractor or superior sub-contractor, as the case may be. The principal contractor or superior sub-contractor may either (i) claim contribution from every superior sub-contractor to the employee's employer or from the principal contractor and every other such superior sub-contractor as the case may be; or (ii) deduct by way of set-off the amount paid by him from any sum due or may become due to the sub-contractor in respect of the work that he has sub-contracted.

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

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

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

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

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

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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.

Laws and Regulations in relation to Environmental Protection

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

The Air Pollution Control Ordinance is the principal legislation in Hong Kong for managing air quality. Subsidiary regulations of the Air Pollution Control Ordinance impose control on air pollutant emissions from certain operations through the issue of licences and permits.

A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, including without limitation the Air Pollution Control (Open Burning) Regulation (Chapter 311O of the Laws of Hong Kong) and the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong). For instance, the contractor responsible for a construction site shall devise, arrange methods of working and carry out the works in such a manner so as to minimise dust impacts on the surrounding environment, and shall provide experienced personnel with suitable training to ensure that these methods are implemented. Asbestos control provisions in the Air Pollution Control Ordinance require that building works involving asbestos must be conducted only by registered qualified personnel and under the supervision of a registered consultant.

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

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

REGULATORY OVERVIEW

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

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

The Noise Control Ordinance regulates, among others, the noise from construction activities. A contractor shall comply with the Noise Control Ordinance and its subsidiary regulations in carrying out construction works. For construction activities that are to be carried out during the restricted hours and for percussive piling during the daytime, not being a general holiday, construction noise permits are required from the Noise Control Authority in advance. The carrying out of percussive piling is prohibited between 7:00 p.m. and 7:00 a.m. or at any time on general holidays.

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

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

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

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

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

According to the Water Pollution Control Ordinance, unless being licensed under the Water Pollution Control Ordinance, a person who discharges any waste or polluting matter into the waters of Hong Kong in a water control zone or discharges any matter, other than domestic sewage and unpolluted water, into a communal sewer or communal drain in a water control zone commits an offence and is liable to imprisonment for six months and (a) for a first offence, a fine of HK\$200,000; (b) for a second or subsequent offence, a fine of

REGULATORY OVERVIEW

HK\$400,000, and in addition, if the offence is a continuing offence, to a fine of HK\$10,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

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

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

A contractor shall observe and comply with the Waste Disposal Ordinance and its subsidiary regulations, including without limitation the Waste Disposal (Charges for Disposal of Construction Waste) Regulation (Chapter 354N of the Laws of Hong Kong) and the Waste Disposal (Chemical Waste) (General) Regulation (Chapter 354C of the Laws of Hong Kong).

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

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

Under the Waste Disposal Ordinance, a person shall not use, or permit to be used, any land or premises for the disposal of waste unless he has a licence from the Director of the Environmental Protection Department. A person who except under and in accordance with a permit or authorisation, does, causes or allows another person to do anything for which such a permit or authorisation is required commits an offence and is liable to a fine of HK\$200,000 and to imprisonment for six months for the first offence, and to a fine of HK\$500,000 and to imprisonment for two years for a second or subsequent offence.

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

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

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

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

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

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

Laws and Regulation in relation to Construction Work in Hong Kong

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

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

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access to plant and resources; and (iv) the ability of the person appointed to act for the applicant for the purposes of the Buildings Ordinance to understand building works and street works through relevant experience and a general knowledge of the basic statutory requirements. At the same time, an applicant for registration as a specialist contractor must satisfy the Directors of Buildings that he has the necessary experience and, where appropriate, professional and academic qualifications, to undertake work in the specialist category.

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

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

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

REGULATORY OVERVIEW

Requirements for contractor registrations/listing in Hong Kong

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

Relevant Hong Kong Government department/organisation	Description	Category	Registrations/qualifications	Expiry date (Note 1)	Authorised Contract Sum (Note 2)
Buildings Department	Private sector works	Foundation Works	Registered Specialist Contractors	27 April 2015	Not applicable
Buildings Department	Private sector works	Site Formation Works	Registered Specialist Contractors	18 January 2018	Not applicable
Buildings Department	Private sector works	Demolition Works	Registered Specialist Contractors	19 September 2017	Not applicable
Buildings Department	Private sector works	Ground Investigation Field Works	Registered Specialist Contractors	21 March 2017	Not applicable
Buildings Department	Private sector works	General Building Works	Registered General Building Contractors	26 October 2017	Not applicable
Environment, Transport and Works, Development Bureau	List of Approved Suppliers of Materials and Specialist Contractors for public works	Land Piling	Specialist List Group II – Steel H-Pile – Large Diameter Bored Pile – Mini-pile – Rock-socketed Steel H-pile in Pre-bored Hole	Not applicable (Note 3)	Up to HK\$185 million

Notes:

- (1) Registration with the Buildings Department has an expiry date and a registration renewed normally expires on the expiry of three years beginning on the date of the expiry of the previous registration.
- (2) Under the relevant listing with the Development Bureau, our Group is authorised to take up project with a contract sum not exceeding HK\$185 million. Such limitation does not apply to registrations with the Buildings Department.
- (3) The relevant registration/qualification is not subject to any periodic renewal condition.

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Private sector construction projects in Hong Kong

Buildings Department

As confirmed by the Legal Counsel, in order to undertake a private sector project that involves one or more of the specialist contractor work categories, either the main contractor or one of its sub-contractor(s) must be registered under the Buildings Ordinance with the Buildings Department as a registered specialist contractor in the relevant work category to carry out and/or supervise the work and liaise with the Building Authority.

It follows that in a private sector project, where the main contractor is a registered specialist contractor under the relevant category pursuant to the Ordinance to undertake the specialist work concerned, there is no legal requirement under the Buildings Ordinance that its sub-contractor must be similarly registered under the Buildings Ordinance or that the sub-contractor must obtain other licences, permits or approvals for undertaking the specialist work (other than its business registration certificate). The converse is also true.

Our Directors also confirm that it is an accepted practice in the market to engage a registered specialist contractor as sub-contractor to take up the foundation works under the specialist categories where the main contractor itself is not so registered. In light of the relatively large number of players in the industry, our Directors believe that in the event that our Group's registrations are suspended, or otherwise terminated, we will still be able to engage registered specialist contractors on the market at a competitive price and be able to perform our contracts undertaken without causing material interruption to our operation.

The registration requirements mentioned above are the basic statutory requirements for undertaking private sector foundation construction projects. In addition to these, other requirements on the main contractors or sub-contractors may be imposed by the developers, main contractors, or other entities, as the case may be. The Buildings Department imposes specific requirements on the qualifications and experience of the key personnel of a registered specialist contractor. The contractor must assign a technical director who must fulfill certain requirements as to qualification and experience. For new applicants, where the technical director does not possess relevant university degree or equivalent qualification, he must have at least eight years of experience in managing a building contractor company. For new applicants, the authorised signatory appointed by the contractor to act for it for the purposes of the Buildings Ordinance should have a minimum of five years' experience in foundation works. He must have worked on at least seven foundation projects in Hong Kong for an aggregate period of not less than 18 months, with the endorsement by an authorised person (being those persons who are qualified to perform the duties and functions of an authorised person in accordance with the Buildings Ordinance), registered structural engineer, registered contractor, government architects, engineers or surveyor of the foundation projects. He must also possess at least a higher certificate, diploma or equivalent qualification relevant to construction technology such as architecture, building studies, building surveying, civil engineering and structural engineering. In Construction's authorised signatory is Mr. Lau, our executive Director.

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The table below summarises the aforesaid specific requirements of the Buildings Department on the qualifications and experience of the key personnel of a registered specialist contractor. Mr. Lau is currently the technical director and authorised signatory of In Construction:

Key personnel	Specific requirements on the key personnel
Technical director	<p>Must have either:</p> <ol style="list-style-type: none">1) at least eight years of experience in managing a building contractor company; or2) a relevant university or equivalent qualification and five years' experience in building industry in Hong Kong, of which two years' experience was in the foundation.
Authorised signatory	<p>Must have:</p> <ol style="list-style-type: none">1) a minimum of five years' experience in foundation work;2) worked on at least seven foundation projects in Hong Kong for an aggregate period of not less than 18 months; and3) at least a higher certificate, diploma or equivalent qualification relevant to construction technology such as architecture, building studies, building surveying, civil engineering and structural engineering.

Mr. Lau has satisfied the above-mentioned requirements during the Track Record Period and up to the Latest Practicable Date.

Pursuant to the Longo Deed of Non-competition, Mr. Cheng undertakes that in the event that Mr. Lau ceases to be the authorised signatory and/or technical director for In Construction due to unexpected events such as sudden illness, accident or resignation without adequate prior notice, Mr. Cheng shall apply to the Buildings Department to become the authorised signatory and/or technical director for the Group, as the case may be.

As at the Latest Practicable Date, the number of "Registered Specialist Contractors (Foundation Works)" registered with the Buildings Department totalled to 137.

REGULATORY OVERVIEW

Public sector construction projects in Hong Kong

Development Bureau

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

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

The requirements to tender for projects of these departments normally include the listing of the contractor with the Development Bureau.

If a contractor wishes to carry out foundation works in the public sector, it must be included in the "List of Approved Suppliers of Materials and Specialist Contractors for Public Works" which is administered by the Development Bureau under the category of land piling (Group II) in respect of the relevant piling system. The scope of work covers design, supply and installation of registered piling systems on land. For retention on the "List of Approved Suppliers of Materials and Specialist contractors for Public Works", a contractor should generally possess at least a positive capital value and is required to maintain certain minimum levels of employed and working capital applicable to the appropriate category and group. In Construction, which belongs to land piling (Group II), is required to have a minimum employed capital of HK\$9.3 million; and a minimum working capital of HK\$8.6 million.

Further, if a contractor has outstanding contracts in hand, there are further requirements imposed on its working capital for retention purpose. For In Construction, it is required to maintain its working capital level either (i) at or above 10.0% of the combined annual value of uncompleted works on outstanding contractors both in the public and private sectors; or (ii) at the minimum working capital specified in the preceding paragraph, whichever is the higher.

REGULATORY OVERVIEW

Registration under land piling (Group II) of the “List of Approved Suppliers of Materials and Specialist Contractors for Public Works” covers 11 kinds of piling system: Barrette Pile, Hand Dug Caisson, Precast Concrete Pile, Large Diameter Bored Pile, Minipile, Non-Percussion Cast-in-situ Concrete Pile, Percussion Cast-in-situ Concrete Pile, Precast Prestressed Tubular Pile, Rock socketed Steel H-pile in Pre-bored Hole, Steel H-Pile and Steel Tubular Pile. The requirements for registration under each kind of piling system are basically the same except that the contractor seeking registration will have to provide the method statement, typical calculations, acceptable references and satisfactory demonstration on site in respect of that particular kind of piling system. The registration requirements for contractors, their employees as well as sub-contractors are set out below:

1. Contractor’s requirement

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

All land piling (Group II) Specialist Contractors under the “List of Approved Suppliers of Materials and Specialist Contractors for Public Works” are required to obtain a quality management systems certification, such as ISO 9001 certification, in order to remain on the list. Certification should cover the design and construction of the relevant foundation works. In Construction possessed the requisite qualification during the Track Record Period and as at the Latest Practicable Date.

2. Employee’s requirement

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

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

In Construction has satisfied the above-mentioned requirements during the Track Record Period and as at the Latest Practicable Date.

3. Job experience of contractor

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

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

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4. *Sub-contractor's requirements*

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

Regulatory actions against contractors by the Development Bureau

The Development Bureau may take regulatory actions against contractors for failure to meet the financial criteria within prescribed time, unsatisfactory performance, misconduct or suspected misconduct, poor site safety record, and poor environmental performance, court convictions such as contravention of site safety legislation and the Employment Ordinance and employment of illegal works etc.

For instance, if a qualified contract is convicted of a series of safety or environmental offences within a short period of time in a project, or if a fatal construction accident occurs at a construction site for which the contractor is responsible, the government may take regulatory actions against the responsible contractor, which include the removal, suspension (which means a contractor is prohibited from tendering for works of the relevant category during the suspension period) and downgrading (which includes downgrading or demoting the contractor's qualification to a lower status or class in all or any specified category) of the contractor's licence, depending on the seriousness of the incident triggering the regulatory actions.

ISO 9001, ISO 14001 and OHSAS 18001 certification

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

The scope of the certificates cover the below standard:

ISO 9001:2008	Management system of In Construction for Ground investigation, construction and design of piling foundation including large diameter bored pile with bell-out, rock socketed steel H-pile and driven steel H-pile, pile cap, site formation and highways, design and construction of landslip preventive and remedial works to slopes and retaining walls and demolition of buildings and structures with demolition design
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REGULATORY OVERVIEW

ISO 14001:2004	Management system of In Construction for Ground investigation, design and construction of piling foundation including large diameter bored pile with bell-out, rock socketed steel H-pile in pre-bored hole, minipile, non-percussion cast in-situ concrete pile and driven steel H-pile, pile cap, site formation, design and construction of landslip preventive and remedial works to slopes and retaining walls in Hong Kong, A&A works in Hong Kong
OHSAS 18001:2007	Management system of In Construction for Ground investigation, design and construction of piling foundation including large diameter bored pile with bell-out, rock socketed steel H-pile in pre-bored hole, minipile, non-percussion cast in-situ concrete pile and driven steel H-pile, pile cap, site formation and highways, design and construction of landslip preventive and remedial works to slopes and retaining walls, demolition of buildings and structures with demolition design in Hong Kong, construction building in Hong Kong, A&A works in Hong Kong

Others

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

COMPLIANCE

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, our Group had obtained all the registrations and certifications required for our business and operations in Hong Kong, and all of them are in force as at the Latest Practicable Date.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

HISTORY AND DEVELOPMENT

Overview

Our Group was founded by Mr. Lau and Mr. Cheng, both being our executive Directors and Controlling Shareholders, with the incorporation of In Construction in December 1996. Prior to the incorporation of In Construction, Mr. Lau and Mr. Cheng had worked in other companies in the construction industry since 1991 and 1989, respectively, and were both specialised in foundation works. Leveraging on their experience, know-how and expertise in the foundation industry, they started In Construction with their own resources and a vision to build a company that thrives on the originality of their “design and build” capability.

Over the years, In Construction has positioned itself as a foundation contractor in Hong Kong specialising in private sector projects. For our existing foundation business, In Construction is currently registered with the Buildings Department as a registered specialist contractor in foundation, demolition, site formation and ground investigation field works and registered general building contractor, and is also on the Development Bureau’s List of Approved Suppliers of Materials and Specialist Contractors for Public Works in the category of land piling (Group II).

We take pride in delivering quality works. We were accredited with ISO 9001:1994 in 1998 and were awarded the Bronze Award of the Considerate Contractors Site Award Scheme by the Development Bureau in 2011.

Set out below are our key business milestones:

Milestone Month/Year	Event
December 1996	Incorporation of In Construction
March 1997	Registration with the Buildings Department as a contractor
April 1998	In Construction was awarded the ISO 9001:1994 certificate by the Hong Kong Quality Assurance Agency
December 1999	In Construction was included in the Register of General Building Contractor of the Buildings Department
March 2000	In Construction was included in the Register of Specialist Contractors of the Buildings Department in the foundation works category
April 2000	In Construction was included in the Register of Specialist Contractors of the Buildings Department in the site formation works category

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Milestone Month/Year	Event
February 2002	In Construction was included in the Register of Specialist Contractors of the Buildings Department in the ground investigation field works category
April 2002	In Construction was included in the “List of Approved Suppliers of Materials and Specialist Contractors for Public Works” of the Development Bureau
October 2002	In Construction was included in the Register of Specialist Contractors of the Buildings Department in the demolition works category
November 2009	In Construction was awarded the OHSAS 18000:2007 certificate by Certification Asia (HK) Limited
May 2012	In Construction was awarded the Bronze Award of the Considerate Contractors Site Award Scheme 2011 by the Development Bureau
September 2014	In Construction was awarded the ISO 14001:2004 certificate by Certification Asia (HK) Limited

Details of the licences and awards of our Group are set out in the paragraph headed “Business – Major qualifications and certifications” of this prospectus.

OUR MAJOR OPERATING SUBSIDIARY

In Construction Limited

On 9 December 1996, In Construction (formerly known as Crownland Construction Limited 冠置建築有限公司) was incorporated in Hong Kong as a limited liability company with an authorised share capital of HK\$10,000.00 divided into 10,000 shares of HK\$1.00 each.

On 20 December 1996, each of Mr. Lau and Mr. Cheng subscribed one fully paid ordinary share of In Construction.

On 23 March 1998, In Construction increased its share capital to HK\$8 million divided into 8,000,000 ordinary shares of HK\$1.00 each. On 27 March 1998, 2,699,999 shares, 2,699,999 shares and 600,000 shares were allotted and issued at par to Mr. Lau, Mr. Cheng and Ms. Kwan, respectively and had been fully paid up. On 3 December 2001, 900,000 shares, 900,000 shares and 200,000 shares, all of which had been fully paid up, were further allotted and issued at par to Mr. Lau, Mr. Cheng and Ms. Kwan, respectively.

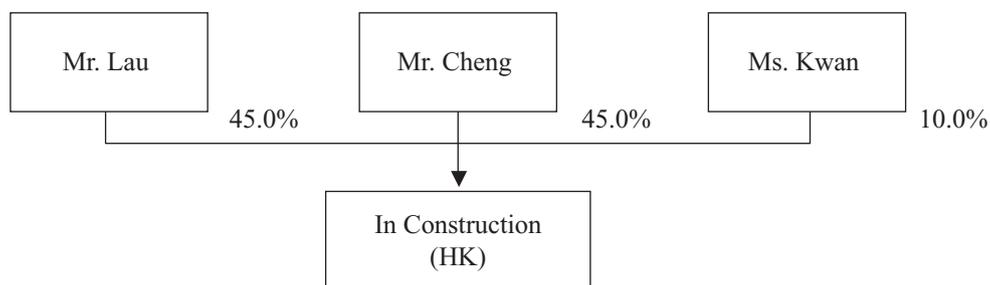
HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 5 February 2003, In Construction increased its authorised share capital to HK\$8.2 million divided into 8,200,000 ordinary shares of HK\$1.00 each. On 10 February 2003, 90,000 shares, 90,000 shares and 20,000 shares were allotted and issued at par to Mr. Lau, Mr. Cheng and Ms. Kwan, respectively and had been fully paid up. Upon completion of such allotment, among the issued shares, In Construction was owned as to 45.0% (3,690,000 shares), 45.0% (3,690,000 shares) and 10.0% (820,000 shares) by Mr. Lau, Mr. Cheng and Ms. Kwan, respectively.

On 1 November 2011, In Construction increased its authorised share capital to HK\$15 million divided into 15,000,000 ordinary shares of HK\$1.00 each. On 9 November 2011, 1,100,000 shares were allotted, in which 495,000 shares, 495,000 shares and 110,000 shares were allotted and issued at par to Mr. Lau, Mr. Cheng and Ms. Kwan, respectively. As at the Latest Practicable Date, 9,300,000 shares had been issued and fully paid up and were owned by Mr. Lau, Mr. Cheng and Ms. Kwan as to 45.0% (4,185,000 shares), 45.0% (4,185,000 shares) and 10.0% (930,000 shares), respectively.

REORGANISATION

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



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

- (1) On 29 September 2014, In Play was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares with a par value of US\$1.00 each. One share of US\$1.00 was issued and allotted to Mr. Lau and Mr. Lau became the sole shareholder of In Play.
- (2) On 29 September 2014, Wealth Celebration was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares with a par value of US\$1.00 each. One share of US\$1.00 was issued and allotted to Mr. Cheng and Mr. Cheng became the sole shareholder of Wealth Celebration.
- (3) On 29 September 2014, Kinetic Kingdom was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares with a par value of US\$1.00 each. One share of US\$1.00 was issued and allotted to Ms. Kwan and Ms. Kwan became the sole shareholder of Kinetic Kingdom.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- (4) On 29 September 2014, our Company was incorporated in the Cayman Islands with an authorised capital of HK\$380,000 divided into 38,000,000 shares with a par value of HK\$0.01 each. 1,000,000 shares were allotted and issued and held as to 45.0%, 45.0% and 10.0% by In Play, Wealth Celebration and Kinetic Kingdom, respectively on 1 October 2014.
- (5) On 6 October 2014, In Construction BVI was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares with a par value of US\$1.00 each. One share was allotted and issued to our Company on 6 October 2014 and our Company became the sole shareholder of In Construction BVI.
- (6) Pursuant to the written resolutions of the then Shareholders passed on 16 March 2015, the authorised share capital of our Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of additional 1,962,000,000 Shares.
- (7) On 16 March 2015, a sale and purchase agreement was entered into between our Company, In Construction BVI, Mr. Lau, Mr. Cheng and Ms. Kwan, pursuant to which Mr. Lau, Mr. Cheng and Ms. Kwan transferred to In Construction BVI the entire issued shares legally and beneficially owned by Mr. Lau, Mr. Cheng and Ms. Kwan in In Construction, the consideration of which was satisfied by our Company allotting and issuing 450,000, 450,000 and 100,000 new Shares, credited as fully paid, to In Play, Wealth Celebration and Kinetic Kingdom, respectively. The aggregate consideration was approximately HK\$45.3 million and was determined and mutually agreed by In Construction BVI and Mr. Lau, Mr. Cheng and Ms. Kwan after taking into account the net asset value of In Construction as at 31 January 2015. After completion of the sale and purchase agreement, In Construction became a subsidiary of In Construction BVI and our Company became the holding company of our Group and the shareholding of our Company was as follows:

Name of Shareholder	Number of Shares held	%
In Play	900,000	45%
Wealth Celebration	900,000	45%
Kinetic Kingdom	200,000	10%
Total	2,000,000	100%

- (8) On 20 March 2015, In Construction, our Company, Mr. Lau, Mr. Cheng and Ms. Kwan entered into a deed of transfer, pursuant to which the obligations and liabilities under the amount due from In Construction to its then shareholders, namely Mr. Lau, Mr. Cheng and Ms. Kwan, in an aggregate amount of HK\$59.3 million were transferred from In Construction to our Company. On 20 March 2015, pursuant to the written resolutions of the then Shareholders, such amounts due to Mr. Lau, Mr. Cheng and Ms. Kwan, being approximately HK\$26.7 million, HK\$26.7 million and HK\$5.9 million respectively, as at 20 March 2015 were

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

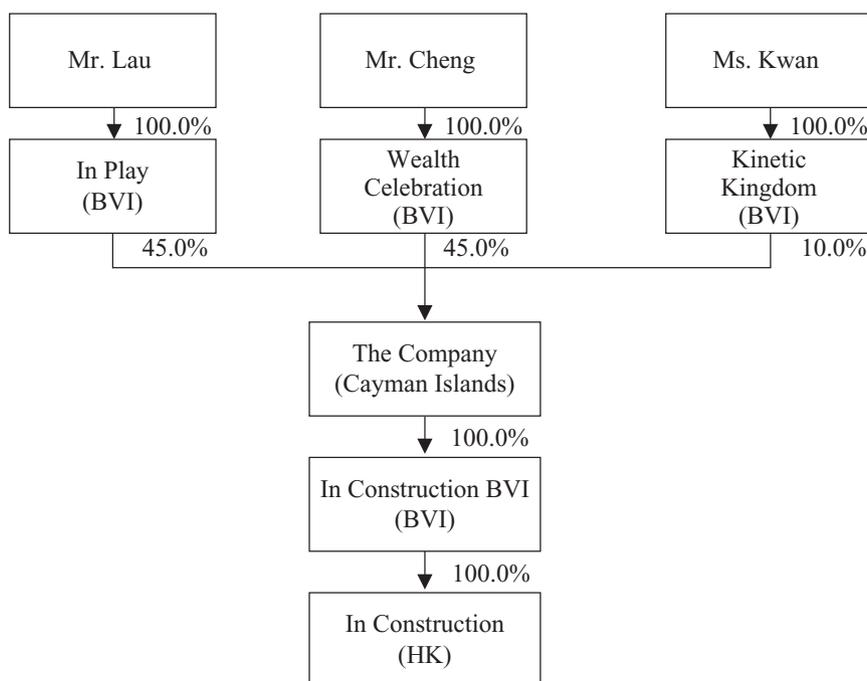
capitalised by our Company allotting and issuing 287,100,000, 287,100,000 and 63,800,000 new Shares, credited as fully paid, to In Play, Wealth Celebration and Kinetic Kingdom at the directions of Mr. Lau, Mr. Cheng and Ms. Kwan, respectively. After such capitalisation issue, the shareholding of our Company was as follows:

Name of Shareholder	Number of Shares held	% shareholding
In Play	288,000,000	45%
Wealth Celebration	288,000,000	45%
Kinetic Kingdom	64,000,000	10%
Total	<u>640,000,000</u>	<u>100%</u>

Share Offer

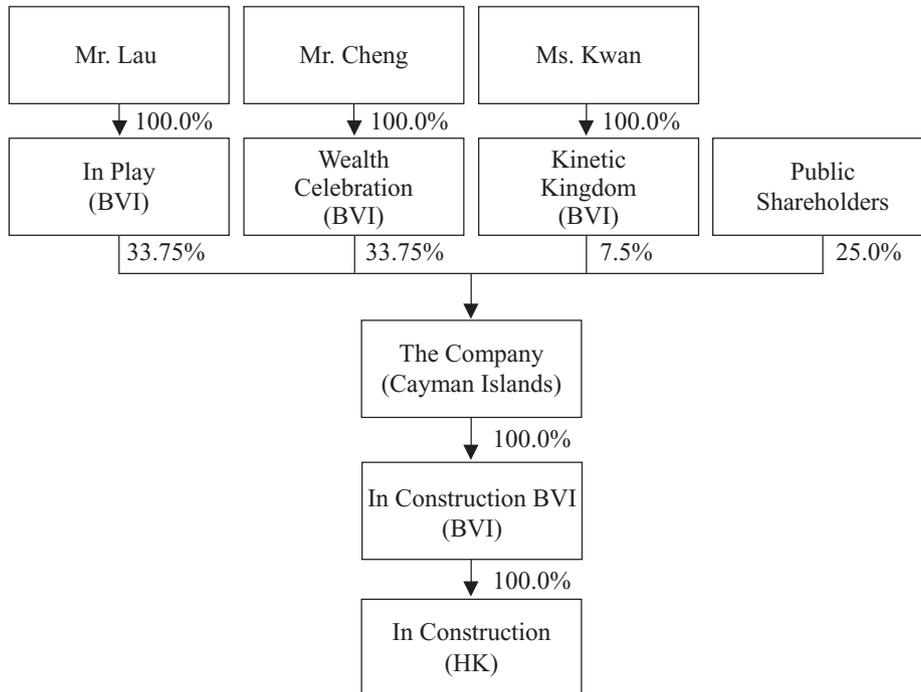
Assuming the Share Offer becomes unconditional, our Company will offer not less than 25.0% of the Shares under the Share Offer. For further details of the Share Offer, please refer to the section headed “Structure and Conditions of the Share Offer” in this prospectus.

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



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following diagram sets out the corporate structure of our Group immediately following the Share Offer, but without taking into account of Shares that may be allotted and issued under the Adjustment Options:



BUSINESS

COMPANY OVERVIEW

Our Group was founded in 1996 and is engaged as a contractor in the foundation industry in Hong Kong, undertaking foundation works as well as associated works including demolition works, site formation works, ground investigation field works and general building works for local customers.

In respect of our existing foundation business, we are a registered specialist contractor in the categories of foundation, demolition, site formation and ground investigation field works and a registered general building contractor with the Buildings Department and are also on the list of approved suppliers of materials and specialist contractors of the Development Bureau for public works in the category of land piling (Group II). For the years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014, there were respectively 16, 20, 16 and 14 projects involving foundation and/or other associated works, contributing turnover of approximately HK\$365.9 million, HK\$468.1 million, HK\$381.8 million and HK\$185.2 million, respectively. As at the date of this prospectus, the aggregate contract sum (excluding all contingent and/or provisional contract amounts) for our contracts on hand (including contracts in progress and contracts of which our work has yet to commence) amounted to approximately HK\$1,017.0 million.

The table below sets out the turnover generated by projects that comprise foundation works only and projects that comprise a combination of foundation and associated works which were recognised in the years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014:

	For the year ended 31 March			For the six months ended 30 September
	2012	2013	2014	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover:				
Foundation works only	88,176	274,501	222,409	146,914
Foundation and associated works	277,733	193,616	159,341	38,286
	<u>365,909</u>	<u>468,117</u>	<u>381,750</u>	<u>185,200</u>

We normally secure our foundation projects through a competitive tender process. Our contracts can generally be categorised into (i) “design and build” contracts; and (ii) “build only” contracts:

1. A “design and build” contract

A “design and build” contract normally involves both the preparation of a foundation design according to the specifications set out in the tender documents, as well as construction of the foundation and/or associated works. For certain design and build contracts where a preliminary foundation design proposal is provided, we are allowed to recommend alternative option(s) to the conforming design layout and submit appropriate

BUSINESS

alternative proposals to our customers. We usually submit our own design proposal or the recommended adjustment to our customers during the tender process. Our Directors are of the view that the competitiveness of our tender, which in turn affects our chances of being awarded the contracts, lies with the foundation design, and our Directors believe that our flexibility and capability in coming up with alternative foundation design that cater for restrictions and geological conditions of the site, the superstructure loading requirements as well as cost efficiency are among the key factors to our success.

2. A “build only” contract

A “build only” contract does not require us to prepare any foundation design for the customer. Usually the customer will provide us with a foundation design of the relevant projects. Where our management team, having assessed the commercial viability of the potential projects including, amongst other factors, site conditions and technical specification of the foundation works and associated works set out in the invitation tender, decides to tender for the projects, we will prepare and submit tender proposal to our potential customers. Please refer to the paragraph headed “Operations – Tender Phase – Evaluation and assessment of projects” in this section for further details.

The following table sets out a breakdown of our Group’s turnover by types of contract awarded during the Track Record Period:

	For the year ended 31 March						For the six months ended 30 September 2014	
	2012		2013		2014		2014	
	Turnover		Turnover		Turnover		Turnover	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Design and build contracts	316,157	86.4	397,182	84.8	279,068	73.1	108,164	58.4
Build only contracts	49,752	13.6	70,935	15.2	102,682	26.9	77,036	41.6
	<u>365,909</u>	<u>100.0</u>	<u>468,117</u>	<u>100.0</u>	<u>381,750</u>	<u>100.0</u>	<u>185,200</u>	<u>100.0</u>

According to the Ipsos Report, over the next four years between 2015 and 2018, it is expected that the turnover of the foundation industry in Hong Kong is expected to rise from approximately HK\$24.5 billion in 2015 to approximately HK\$43.2 billion in 2018, at a CAGR of approximately 20.8% owing to the expected increase in public expenditure on infrastructure and increase in housing supply during the period. Please refer to the section headed “Industry Overview” in this prospectus for further details of the future development of the foundation industry.

COMPETITIVE STRENGTHS

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

Our management team possesses extensive experience and technical know-how

Our Directors consider that the success of our Group is principally attributable to the technical know-how of our management team. Each of our executive Directors, Mr. Lau, Mr. Cheng and Ms. Kwan, has more than 20 years of experience respectively in the Hong Kong construction industry. Both Mr. Lau and Mr. Cheng undertook engineering degree and had engaged in the construction industry upon graduation. In particular, amongst Mr. Lau's other qualifications, he is a member of the Hong Kong Institution of Engineers, a chartered engineer of the Institution of Civil Engineers, England and a member of the Institution of Civil Engineers. Mr. Lau is currently the general manager of In Construction and Mr. Cheng is the construction manager of In Construction. Ms. Kwan also acquired extensive experience in construction projects coordination. Details of their experience and qualification are set out in the section headed "Directors and Senior Management" of this prospectus.

Our focus in the Hong Kong market has allowed our management team to attain a considerable knowledge of the foundation industry landscape in Hong Kong and established long-term relationships with our customers, suppliers, sub-contractors. Further, as our Group has focused on undertaking foundation projects since our establishment, we are familiar with the geological conditions and restraints in many locations in Hong Kong. This enables us to make informed judgment in coming up with an effective and efficient foundation design plan and to adopt suitable piling methods according to the conditions of each individual site. Our management team's experience and know-how also give us a competitive edge in formulating tender proposal and strategies in particular for design and build projects.

Other than our management team, our Group has also employed a stable pool of skilled employees who have worked with us for a number of years. Our experienced management team, with the support of our skilled employees, is one of our key drivers in delivering high quality foundation and associated works.

Flexibility and capability to provide alternative design proposal

Leveraging on our experienced management team and streamlined corporate structure, we place emphasis on design and build projects as we believe we have the flexibility and capability in coming up with foundation design plan that suits our customers' requirements and the site conditions. In "design and build" contracts, we may (if permitted by our customer) submit an alternative design proposal or otherwise make appropriate adjustments to the conformed design prepared by our customers' consultant which not only complies with the technical requirements but is at the same time more cost efficient. Furthermore, because of our streamlined corporate structure and our experienced management team, we are able to react and make swift decisions in response to any emergency or challenges that occur in various stages of the project. Our Directors believe all these give us a competitive edge over our competitors.

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Our diverse qualifications form a synergy which allows us to capture business opportunities

In respect of our existing foundation business, we are currently a registered Specialist Contractor in the categories of foundation, demolition, site formation, ground investigation field works and general building works, as well as on the list of approved suppliers of materials and specialist contractors for public works in the category of land piling (Group II). As at 30 September 2014, we are one of the few contractors in Hong Kong who possess a combination of the above qualifications at the same time. Our Directors are of the view that our diverse qualifications produce a synergy that allows us to capture business opportunities across a range of foundation and associated works, and to provide a more comprehensive services to our existing customers and to attract potential customers.

We have established reputation in the foundation industry

Our Group has more than 18 years of experience in the construction industry in Hong Kong. For the years ended 31 March 2012, 2013 and 2014 and for the six months ended 30 September 2014, there were respectively 16, 20, 16 and 14 projects involving foundation and/or other associated works, contributing turnover of approximately HK\$365.9 million, HK\$468.1 million, HK\$381.8 million and HK\$185.2 million, respectively. Our Directors believe that our established reputation, together with our long term presence in the foundation industry in Hong Kong, have instilled confidence in our customers in our ability to deliver quality works in a timely manner.

We have also established long-term relationship with our major customers which include some of the active land developers in Hong Kong. In particular, our largest customer during the Track Record Period in terms of aggregated contract sum has been working with us since 1997. We receive frequent invitations from major land developers in Hong Kong construction industry to participate in tenders for foundation and associated works. Our Directors believe that our long-term relationships with our major customers have reinforced our Group's reputation in the foundation industry.

Stringent quality control and established procedures

We place considerable emphasis on the quality of our foundation and associated works and have implemented a stringent quality control system that complies with international standards. We require our employees to adhere to our procedure manual and quality manual. Our site agents are responsible for monitoring progress of our projects and for ensuring that the works performed by our employees and our sub-contractors can satisfy our customers' requirements with high precision and quality. Our Group also conducts internal quality audit once a year and invites external organisation such as Hong Kong Quality Assurance Agency to regularly monitor our work flow and procedures. We were certified by Hong Kong Quality Assurance Agency since 1998 and are also accredited with ISO 9001:1994 since 1998.

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BUSINESS OVERVIEW

Our projects

During the Track Record Period, our Group has been engaged to undertake foundation and associated works in the private sector construction projects in Hong Kong, with an emphasis on design and build projects and on undertaking the role as main contractor. We maintain a high level of diversification in terms of project size. During the Track Record Period, we had undertaken projects with contract sum (excluding all contingent and/or provisional contract amount) ranging from HK\$3.6 million to HK\$288.0 million. In line with the general practice in the foundation industry in Hong Kong, our projects are subject to tender and are awarded on a non-recurring basis. Nonetheless, we have been successful in winning contracts from repeated customers, whom we have established a long term relationship, as well as developing new customers.

The table below sets out a breakdown of our Group's turnover by projects where our Group was engaged as main contractor and sub-contractor, respectively, during the Track Record Period:

	For the year ended 31 March						For the six months ended 30 September 2014	
	2012		2013		2014		2014	
	Turnover		Turnover		Turnover		Turnover	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Projects carried out by our Group as main contractor	260,336	71.1	279,392	59.7	281,486	73.7	155,230	83.8
Projects carried out by our Group as sub-contractor	105,573	28.9	188,725	40.3	100,264	26.3	29,970	16.2
	<u>365,909</u>	<u>100.0</u>	<u>468,117</u>	<u>100.0</u>	<u>381,750</u>	<u>100.0</u>	<u>185,200</u>	<u>100.0</u>

Foundation works and associated works

During the Track Record Period, our Group had undertaken foundation works which included large diameter bored pile, driven H-pile, rock-socketed steel H-pile, mini-piles, excavation and lateral support works, footing foundation, pile caps; and associated works which included demolition, site formation, ground investigation and general building works.

Our Group mainly undertakes contracts as a main contractor. Amongst the projects to which turnover was recognised during the Track Record Period, we were engaged as a main contractor in 35 projects and as a sub-contractor in four projects.

While we focus on project management, procurement of major construction materials and co-ordination with customers and their representatives, we engage sub-contractors to carry out piling and other parts of the project and put in place control measures to monitor their performance. For further details, please refer to the paragraphs headed "Operations – Project implementation phase" and "Suppliers and Sub-contractors – Sub-contractors – Sub-contracting arrangement with our sub-contractors" in this section.

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Details of the top five projects of our Group in terms of turnover recognised for the years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014 are set out below:

For the year ended 31 March 2012

Project site	Role	Type of work	Period (Note 1)	Percentage of work certified as at 31 March 2012	Type of contract	Contract sum HK\$'000 (Note 2)	Turnover recognised for the year ended 31 March 2012 HK\$'000
Chinese Permanent Cemetery, Tseung Kwan O	Main contractor	Demolition, site formation, foundation and general building	Sept 2009 – Jan 2012	99%	Design and Build	258,000	109,148
Zones 1A, 1B & 2B for New World Center, Tsim Sha Tsui	Sub-contractor	Demolition and foundation	Mar 2010 – May 2013	55%	Design and Build	248,761	105,574
Tanner Hill, North Point	Main contractor	Site formation and foundation	Jan 2010 – Mar 2012	62%	Build only	93,403	29,915
On Lan Street, Central	Main contractor	Foundation	Dec 2010 – Dec 2011	73%	Design and Build	28,135	20,488
Caine Road, Central	Main contractor	Foundation	Jan 2010 – Apr 2011	100%	Design and Build	32,980	17,600
Total						661,279	282,725

For the year ended 31 March 2013

Project site	Role	Type of work	Period (Note 1)	Percentage of work certified as at 31 March 2013	Type of contract	Contract sum HK\$'000 (Note 2)	Turnover recognised for the year ended 31 March 2013 HK\$'000
Zones 1A, 1B & 2B New World Center, Tsim Sha Tsui	Sub-contractor	Demolition and foundation	Mar 2010 – May 2013	91%	Design and Build	248,761	87,160
Zones 3B & 2D New World Center, Tsim Sha Tsui	Sub-contractor	Demolition and foundation	Jan 2012 – May 2014	41%	Design and Build	194,925	80,670
Wellington Street, Central	Main contractor	Foundation	May 2012 – Sept 2013	76%	Design and Build	86,725	66,280
Open University Campus at Chung Hau Street, Ho Man Tin	Main contractor	Foundation	Feb 2012 – Sept 2012	97%	Build only	48,459	47,086
Coronation Terrace, Mid-Levels	Main contractor	Foundation	Jun 2011 – Nov 2012	93%	Design and Build	45,428	37,248
Total						624,928	318,444

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For the year ended 31 March 2014

Project site	Role	Type of work	Period (Note 1)	Percentage of work certified as at 31 March 2014	Type of contract	Contract sum	Turnover recognised for the year ended 31 March 2014
						<i>HK\$'000</i> (Note 2)	<i>HK\$'000</i>
Zones 3B & 2D New World Center, Tsim Sha Tsui	Sub-contractor	Demolition and foundation	Jan 2012 – May 2014	79%	Design and Build	194,925	73,960
Ko Shan Road, To Kwa Wan	Main contractor	Foundation	Jun 2012 – Jan 2014	100%	Design and Build	76,512	61,849
Cannon Street and Jaffe Road, Causeway Bay	Main contractor	Foundation	Oct 2012 – Dec 2013	78%	Design and Build	70,800	55,537
Tung Yuen Street, Yau Tong	Main contractor	Demolition, site formation and foundation	Oct 2012 – April 2014	85%	Build only	63,550	54,140
Argyle Street and Julia Avenue, Kowloon	Main contractor	Foundation	Oct 2012 – Sept 2013	100%	Design and Build	57,450	41,710
Total						463,237	287,196

For the six months ended 30 September 2014

Project site	Role	Type of work	Period (Note 1)	Percentage of work certified as at 30 September 2014	Type of contract	Contract sum	Turnover recognised for the six months ended 30 September 2014
						<i>HK\$'000</i> (Note 2)	<i>HK\$'000</i>
Heung Yip Road, Aberdeen	Main contractor	Foundation	Jan 2014 – Jul 2015 (Note 3)	32%	Design and Build	108,500	34,289
Tseung Kwan O Town Lot No. 97	Main contractor	Foundation	Jan 2014 – Dec 2014	60%	Build Only	56,500	33,905
Zones 3B & 2D New World Centre, Tsim Sha Tsui	Sub-contractor	Demolition and foundation	Jan 2012 – May 2014	95%	Design and Build	194,925	29,970
Tseung Kwan O Town Lot No. 95	Main contractor	Foundation	Dec 2013 – May 2014	97%	Build Only	55,153	17,335
Russell Street, Causeway Bay	Main contractor	Foundation	Feb 2014 – Oct 2014	88%	Design and Build	16,000	14,067
Total						431,078	129,566

Notes:

- (1) The period covers the duration of our works with reference to the commencement dates and, for projects completed, the completion dates of works set out in the payment certificates issued by our customers or their authorised persons, or with reference to the practical completion certificate or final payment certificate issued by the relevant project architect.
- (2) Contract sum excludes all contingent and/or provisional contract amounts set out in the respective contracts, if any. A provisional sum is a sum of money provided in the contract by the customers for costs which cannot be entirely foreseen, defined or detailed at the time the tendering documents are issued. A contingency sum is an amount of money set aside by the customers to cover additional costs incurred for unforeseen works.
- (3) For ongoing projects, the expected completion date of works is determined with reference to letter of award which sets out the duration of works from its commencement.

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Save for the on-going projects, details of which are set out under the paragraph headed “Contracts on hand” below, the duration of our Group’s projects completed during the Track Record Period ranged from five months to 39 months.

Contracts on hand

As at the date of this prospectus, the contract sum (excluding all contingent and/or provisional contract amount) for the contracts on hand (including contracts in progress and contracts of which our work has yet to commence) amounted to approximately HK\$1,017.0 million.

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

Project site	Role	Type of work	Commencement date/Expected commencement date (Note 1)	Expected completion of works (Note 2)	Percentage of work certified as at the Latest Practicable Date (Note 3)	Type of contract	Contract sum	Outstanding contract sum as at the Latest Practicable Date
							HK\$'000 (Note 4)	HK\$'000 (Note 4)
Queen’s Road Central and Stanley Street, Central	Main contractor	Foundation	May 2013	Sept 2015	67%	Build Only	78,000	25,881
Peel Street/Graham Street, Central	Main contractor	Foundation	Jan 2014	Sept 2015	30%	Design and Build	288,000	200,863
Heung Yip Road, Aberdeen	Main contractor	Foundation	Jan 2014	Jul 2015	40%	Design and Build	108,500	65,633
Hing Hon Road, Pok Fu lam	Main contractor	Foundation	Jan 2014	Mar 2016 (Note 5)	30%	Build Only	23,400	16,326
Aberdeen Street, Central	Main contractor	Foundation	Jun 2014	Oct 2015	0%	Design and Build	45,600	45,600
Perkins Road, Happy Valley	Main contractor	Demolition and foundation	Oct 2014	Nov 2015	0%	Design and Build	73,500	73,500
A Kung Ngam Road, Shau Kei Wan	Main contractor	Site formation and foundation	Dec 2014	Aug 2016	0%	Design and Build	285,300	285,300
Queen’s Road East, Wan Chai	Main contractor	Foundation	Feb 2015	Nov 2015	0%	Design and Build	41,150	41,150
Fuk Chak Street and Ka Shin Street, Tai Kok Tsui	Main contractor	Foundation	Apr 2015	May 2016	0%	Design and Build	73,500	73,500
Total							<u>1,016,950</u>	<u>827,753</u>

Notes:

- (1) The date of commencement of works is based on the payment certificates or instructions issued by our customers or authorised person employed by our customers.
- (2) The expected completion date of works is determined with reference to the relevant letter of award which normally sets out the duration of works from its commencement.
- (3) The stage of completion is measured by reference to work performed to date as a percentage of total contract value which is based on the certificates issued by our customers on the respective projects and represents the amount of works certified as a percentage of the contract sum.
- (4) Contract sum and outstanding contract sum as at the Latest Practicable Date excluded all contingent and/or provisional contract amounts set out in the respective contracts, if any. A provisional sum is a sum of money provided in the contract by the customer for costs which cannot be entirely foreseen,

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defined or detailed at the time the tendering documents are issued. A contingency sum is an amount of money set aside by the customer to cover additional costs incurred for unforeseen works. The outstanding contract sum represents the amount of the original contract sum after deduction of the turnover recognised up to the Latest Practicable Date.

- (5) Our works for this project have been suspended since 5 September 2014 due to tilting of the building adjacent to the site. For further details regarding this project, please refer to the paragraph headed “Legal and Administrative Proceedings and Possible Claims – (iv) Potential claims and litigations against our Group as at the Latest Practicable Date – Hing Hon Road Project” in this section.

BUSINESS STRATEGIES

Expand our capacity to capture more business opportunities

We plan to capture more business opportunities by expanding our capacity and scale. All our projects require the involvement of our management team at various stages, such as assessment of potential projects, preparation and submission of tender proposal, project planning and administration, project implementation and quality control. While our management team plays an important role in different stages of a project, our capacity to take up and execute projects is largely determined by the capacity of our management team. Our Directors intend to recruit more professional and skilled candidates so as to expand our Group’s capacity. Further, since it is common practice for foundation projects that contractors are required to take out surety bonds which usually amount to 10.0% of the contract sum, we intend to utilise a portion of our net proceeds from the Share Offer to satisfy the amount of bank deposits necessary for the issue of surety bonds for future contracts, thereby allowing us to undertake projects of larger contract value. We believe that by expanding our capacity and scale, our Group will be able to undertake projects of more sizeable scale and broaden our customer base by meeting the pre-qualifications of tenderers prescribed by potential customers.

Enhance our competitiveness in the foundation industry

Our Group’s experience, established reputation and long-term relationship with our major customers have enabled us to secure contract awards for our projects. Our Directors believe that our reputation, capability in foundation design, project management skills and technical know-hows are the main contributors to our ongoing growth and future profitability. We shall continue to enhance our competitiveness by improving our operational efficiency, cost and quality control. This can be achieved by exercising proper budget control, strengthening training to our staff to enhance their work quality and safety awareness, and adhering to internal control procedures for sourcing of construction materials and management of sub-contractors. We also intend to purchase necessary machinery to facilitate the performance of our foundation works. Not only do these measures allow us to afford a more competitive pricing in our tenders, they will also help ensure a smooth implementation of our projects.

Continue to focus on design and build contracts

During the Track Record Period, a majority of our contracts were design and build contracts. Our Directors are of the view that our flexibility, capability in our foundation design differentiate us from our peers and these design and build contracts offer higher

BUSINESS

profit margin than build only contracts. In a design and build contract, we formulate the alternative design after taking into account the limitations and geological conditions of the sites, the loading requirements of the superstructure and other requirements from customers. We may amend the original design by incorporating different types of piles, use less number of piles or otherwise a combination of different piles in order to put forward a suitable yet more cost efficient proposal than the original design contemplated in the tender. This will allow us to provide a more competitive quotation in our tenders, thereby improving our chance in obtaining the contract awards from customers. Accordingly, we will continue to focus on design and build contracts in the future.

FOUNDATION WORKS AND ASSOCIATED WORKS

We are principally engaged in foundation works; and associated works including (a) demolition works; (b) site formation works; (c) ground investigation field works; and (d) general building works in Hong Kong.

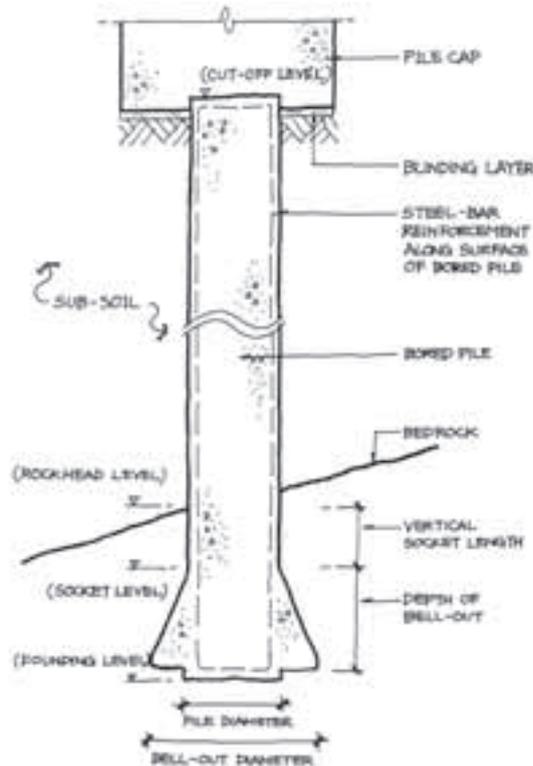
(I) Foundation Works

Foundation works form the lowest and supporting parts of most construction works. Quality of foundation works is essential to the safety of buildings, as superstructure works are constructed over and performed on top of the foundation works.

Foundation works our Group engaged in include the construction of large diameter bored piles, driven steel H-pile, rock-socketed steel H-pile, mini-piles, footing, pile caps and excavation and lateral support. Different foundation works methods are used depending on the superstructure to be constructed (e.g. high-rise buildings against small structures), geology of the construction site, environmental protection consideration, neighbourhood of the construction site and costs, etc.

(i) *Large diameter bored piles*

Large diameter bored piles can be used to support heavy column loads of tall buildings and highways structures such as viaducts. Large diameter bored piling works are usually installed by a grab or reverse circulation drill excavating (inside a steel casing) a circular hole in the ground, inserting a reinforcement cage into the circular hole and subsequently filling the bored hole with concrete. The following diagram illustrates the typical structure for construction of a large diameter bored pile:

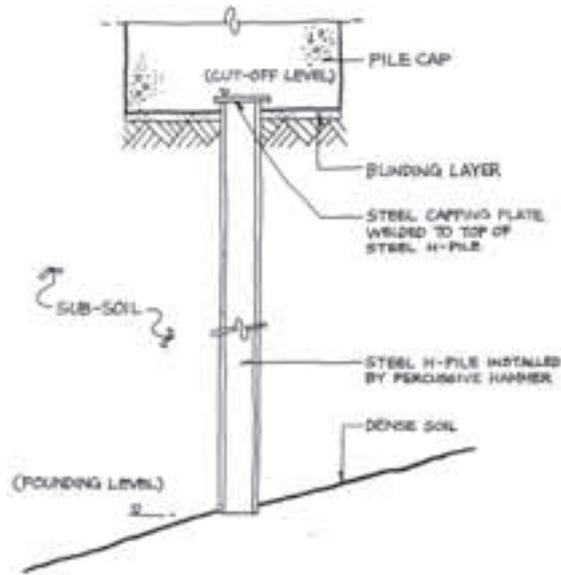


Generally, bored piles are used for the support of tall buildings or structures with heavy vertical loads. The bored piling works undertaken by our Group are mainly large diameter bored piles with diameters ranging from 1.0 metre to 3.0 metres. Large diameter bored piles can be tailored and adapted to various superstructure loading requirements and bearing capacity of the bedrock, depending on the pile diameters and construction techniques. In addition, the construction of a bell-out at the base of a large diameter bored pile can further increase the pile load bearing capacity.

Regardless of the wide range of specialised machinery and equipment that the construction of bored piles require, bored piles are used to support superstructures due to the following reasons: (i) its high load bearing capacity; (ii) little vibration; (iii) low noise level, thus reducing disturbance to the surrounding population.

(ii) *Driven steel H-pile*

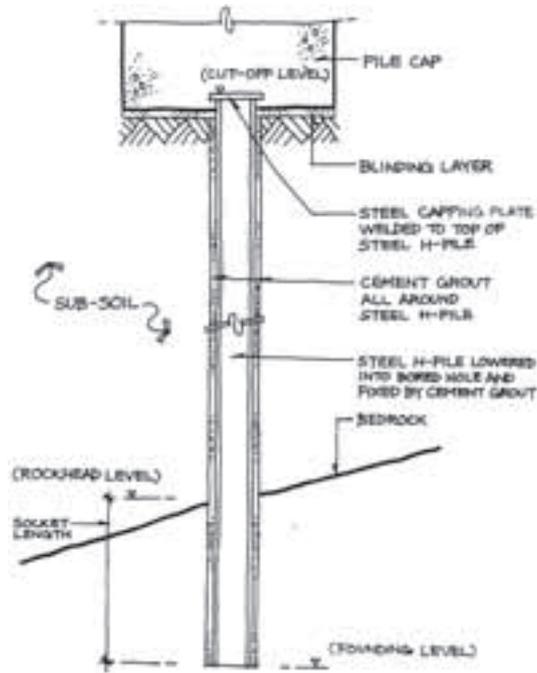
Steel H-piles have been widely used in Hong Kong because of their ease of handling and driving. Driven H-piles generally have better driveability characteristics and are often driven to greater depth to provide high load bearing capacities. Driving of H-piles can be constructed at close centres with a minimum of ground heave as it involves a small extent of soil displacement. The following diagram illustrates the typical construction of a driven steel H-pile:



(iii) Rock-socketed steel H-pile

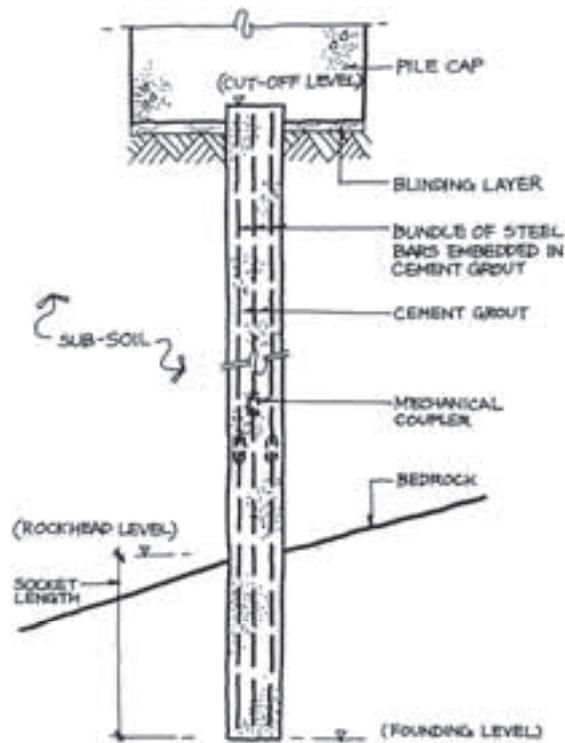
A rock socketed steel H-pile is designed to be socketed into rock. It is installed by excavating (with a steel casing) a prebored hole in the ground (including the rock socket), placing a steel H-pile into the hole and subsequently filling with cement grout.

Rock socketed steel H-piles are used to support superstructures because of its ability to accommodate sloping and congested sites. The piles are embedded in rock socket, where shaft resistance is mobilised to support the foundation loads. The following diagram illustrates the typical construction of a rock-socketed steel H-pile:



(iv) *Mini-piles*

A mini-pile is not exceeding 400 mm in diameter. It usually consists of four or more steel bars encased by grout. They are normally designed to be socketed into rock and construction of them can be carried out to about 60 metres depth or more. Mini-pile can be used on sites with difficult access and sloping grounds. During drilling operation, steel casing is provided for the support of the pre-drilled hole within the soil and/or fractured rock. In general, they can overcome large or numerous obstructions in the ground. The following diagram illustrates the typical construction of a mini-pile:



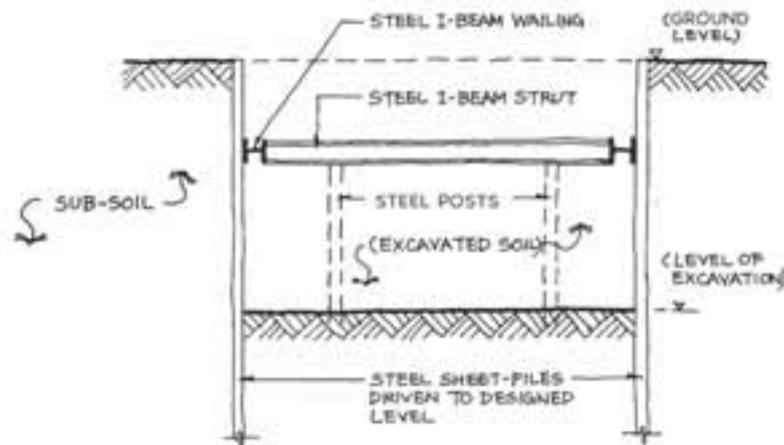
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(v) *Excavation and lateral support works*

The construction of excavation and lateral support works involves the installation of piles walls, excavation, installation of waling and strut, and further excavation. Typically, excavation and lateral support works are used to provide support for excavation of a ground that is under construction of footing foundation, pile caps, basement and underground utilities.

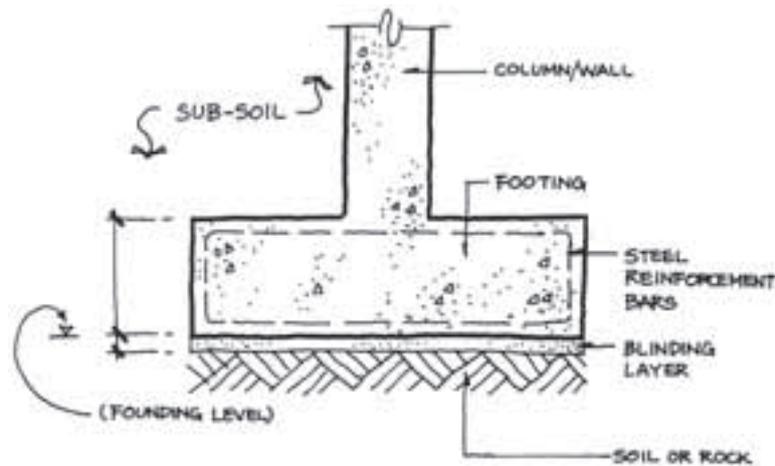
During the Track Record Period and up to the Latest Practicable Date, our Group had been engaged in carrying out excavation and lateral support works which involved the use of sheet piles, pipe piles and soldier piles with steel waling and struts as a temporary support system.

The design of lateral support works depends on the soil and ground-water conditions, and by the depth and width of the excavated area. The following diagram illustrates the typical construction of a excavation and lateral support work:



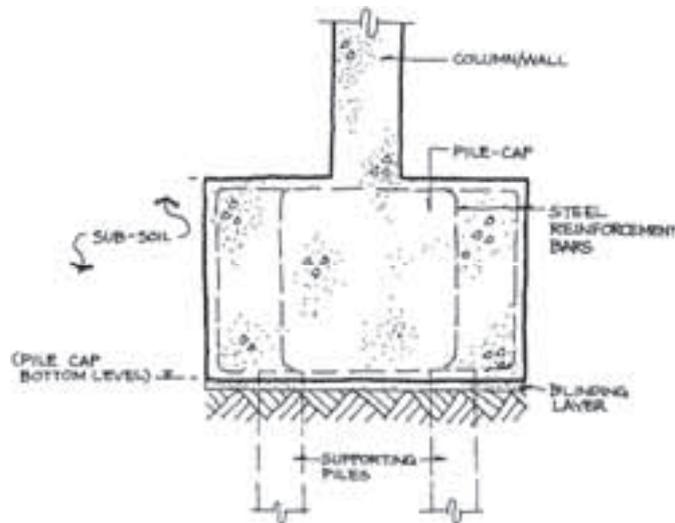
(vi) *Footing*

Footing is a type of shallow foundation. There are three types of footings, namely strip, pad and raft. The building loads are transferred directly to a shallow bedrock layer or soil. Footings should rest on undisturbed soil. Most of the footings are formed by concrete poured into a trench and constrained by some kind of forms. The following diagram illustrates the typical construction of a footing foundation:



(vii) *Pile caps*

Pile caps are concrete structures built on the head of a pile or a group of piles in order to transmit the building loads to the pile or group of piles, so that the load can be shared between the piles. Pile caps also serve the function of accommodating deviations from the intended positions of piles. The difference between footings and pile caps is that footings transfer the load directly to the bedrock while pile caps transfer the load onto piles. The following diagram illustrates the typical construction of a pile cap:



(II) Associated Works

(i) Demolition works

Demolition means dismantling, razing, destroying or wrecking any building or structure or any part thereof by pre-planned and controlled methods. Demolition works generally involve the clearance of construction site, demolition of existing structures in order to prepare the site for foundation works that follow. There are different methods of demolition, including but not limited to top down manually; top down by machines; mechanical method by hydraulic crusher with long boom arm; wrecking ball; and implosion. The choice of demolition method depends on the project conditions, site constraints, sensitivity of the neighbourhood and availability of equipment.

(ii) Site formation

Site formation works are performed to prepare a construction site for subsequent works for foundation and superstructure; accommodate buildings or other facilities which will be placed within the area; form the land to the required orientation, shape or levels in order to accommodate such facilities; and provide the required back-up facilities. They may involve excavation to the design formation and/or basement level, reduction and stabilisation of existing slopes, and associated infrastructure works (which may include construction of road, drainage, sewage and water works). Site formation works in Hong Kong include the clearance of the site including the removal of buildings or unwanted structures, shrubs and trees, surface soil and debris; excavation by cutting into slope or other land area to get the required or extra land; leveling of the land by necessary cutting or filling to get a piece of flat or terraced land, stabilization of natural or new slope within the site; and forming of access road and drainage system.

(iii) Ground investigation field work

Ground investigation, including but not limited to exploratory drilling, excavating and probing of land, are conducted on site before or during any foundation works have started, to enable foundation works contractors to conduct assessment on the sub-soil conditions and select the type and extent of piles suitable for the superstructure. Ground investigation will be carried out prior to commencement of and during our foundation works. It will be carried out either by our customers or by our Group where we will engage our sub-contractors to perform the investigation.

(iv) General building work

General building works cover a wide range of services, including building of superstructures, alteration, renovation and fitting-out of existing buildings, as well as the building of minor works such as the building of pathways, flyovers, footbridges, etc. Our Group has undertaken general building works which involved the building of pathways and flyovers.

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MAJOR QUALIFICATIONS AND CERTIFICATIONS

Registrations and qualifications

We obtain various registrations and qualifications in respect of our services. As at the Latest Practicable Date, In Construction held the following major registrations and/or qualifications in respect of our existing foundation business in Hong Kong:

Relevant Hong Kong Government department/organisation	Description	Category	Registrations/qualifications	Expiry date (Note 1)	Authorised Contract Sum (Note 2)
Buildings Department	Private sector works	Foundation Works	Registered Specialist Contractors	27 April 2015	Not applicable
Buildings Department	Private sector works	Site Formation Works	Registered Specialist Contractors	18 January 2018	Not applicable
Buildings Department	Private sector works	Demolition Works	Registered Specialist Contractors	19 September 2017	Not applicable
Buildings Department	Private sector works	Ground Investigation Field Works	Registered Specialist Contractors	21 March 2017	Not applicable
Buildings Department	Private sector works	General Building Works	Registered General Building Contractors	26 October 2017	Not applicable
Environment, Transport and Works, Development Bureau	List of Approved Suppliers of Materials and Specialist Contractors for public works	Land Piling	Specialist List Group II – Steel H-Pile – Large Diameter Bored Pile – Mini-pile – Rock-socketed Steel H-pile in Pre-bored Hole	Not applicable (Note 3)	Up to HK\$185 million

Notes:

- (1) Registration with the Buildings Department has an expiry date and a registration renewed normally expires on the expiry of three years beginning on the date of the expiry of the previous registration.
- (2) Under the relevant listing with the Development Bureau, our Group is authorised to take up project with a contract sum not exceeding HK\$185 million. Such limitation does not apply to registrations with the Buildings Department.
- (3) The relevant registration/qualification is not subject to any periodic renewal condition.

Some of these registrations or qualifications are subject to regular review and renewal. The expected time required to complete the renewal process is generally around one to two months. Our Group will renew all existing registrations and qualifications accordingly before

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their respective expiry dates. We have not experienced any refusal of renewal of the registrations necessary for our operations during the Track Record Period and up to the Latest Practicable Date.

Save for the non-compliance mentioned in the paragraph headed “Non-Compliance” in this section, we have obtained and had been in compliance in all material respect with the respective licences, permits, registrations and relevant regulatory requirements in respect of safety, environmental and insurance pertaining to our business during the Track Record Period.

Our Directors further confirm that during the Track Record Period and up to the Latest Practicable Date, our Group had obtained all registrations and approvals required for our business and operations in Hong Kong.

Certifications

Set out below are the certifications awarded to In Construction in respect of our management or quality control system:

Nature	Certification	Awarding organisation or authority	Validity period
Quality Management System Accreditation	ISO 9001:2008	Hong Kong Quality Assurance Agency	21 April 1998 to 20 April 2016
Occupational Health & Safety Management System	OHSAS 18001:2007	Certification Asia (HK) Limited	27 October 2012 to 4 November 2015
Environmental Management System	ISO 14001:2004	Certification Asia (HK) Limited	3 September 2014 to 3 September 2017

The validity of the above certifications is subject to our continuing satisfactory operation of the management system. For details of the scope of certification, please refer to the paragraph headed “Regulatory Overview – ISO 9001, ISO 14001 and OHSAS 18001 certification” in this prospectus.

CONTRACT AWARDS AND CUSTOMERS

During the Track Record Period and up to the Latest Practicable Date, our Group had undertaken projects mainly as a main contractor in private sector projects in Hong Kong. In certain projects, our Group has acted as a sub-contractor. The contracts undertaken by our Group are normally awarded to us by way of tender.

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Contract Award

During the Track Record Period and up to the Latest Practicable Date, all of the contracts undertaken by our Group were awarded by way of tender. Our management team maintains frequent contact with private sector participants such as developers, architects and engineers and other players in the construction industry to expose to larger customers base and look for potential business opportunities. We receive letters of invitation to participate as potential tenderers for foundation projects of the private sector projects from time to time.

Sometimes, our Directors may be contacted directly by potential customers or architects in relation to a potential foundation or associated works project. Upon such discussion with our potential customers, our management team will assess the commercial viability of the potential project and decide whether our Group should develop such opportunities.

Our Directors consider that past job references, relationships with customers, reputation and networking are important assets in our industry and can enable us to secure more contracts in the future. In order to increase our Group's publicity, we display the name and logos of In Construction at our construction sites.

Customers

Our Group is engaged in private sector foundation projects in Hong Kong, of which our customers include property developers, construction companies and institutions such as not-for-profit organisation and educational institutions. During the Track Record Period, turnover from our Group's largest customer for the years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014 accounted for the Group's turnover of approximately HK\$109.1 million, HK\$113.2 million, HK\$93.0 million and HK\$34.3 million, representing approximately 29.8%, 24.2%, 24.4% and 18.5% of the turnover of our Group, respectively. Turnover attributable to our Group's five largest customers for the years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014 amounted to approximately HK\$282.7 million, HK\$294.4 million, HK\$306.3 million and HK\$129.6 million, representing approximately 77.3%, 63.0%, 80.2% and 70.0% of the turnover of our Group, respectively.

Since we undertake projects of considerably different scales, the turnover contributed by each customer may vary significantly from customer to customer. During the Track Record Period, our Group had repeated customers which awarded more than one contract to us. The number of customers with projects contributing to our turnover for the years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014 was 16, 20, 16 and 14, respectively.

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During the Track Record Period, some of our customers are affiliated companies to each other. In order to portray our customers' profiles, below sets out the top five customers, by individual customers and affiliated groups, respectively, based on the amount of turnover attributable to the customer recognised during the Track Record Period:

For the year ended 31 March 2012

Top five customers – by individual customers

<u>Name of our customer</u>	<u>Turnover contribution to our Group</u>	<u>Approximate percentage to the turnover of our Group</u>	<u>Background of our customer</u>	<u>Business with our customer or its affiliated company commenced since</u>
	<i>HK\$'000</i>	<i>%</i>		
Board of Management of the Chinese Permanent Cemeteries	109,148	29.8	a not-for-profit body corporate with focus on cemeteries management <i>(Note 1)</i>	2009
Hip Hing Construction Co. Ltd.	105,574	28.9	a construction contractor affiliated to a listed group in Hong Kong	1997
Hong Kong Housing Society	29,915	8.2	an independent, not-for-profit and non-government organisation with focus on housing development <i>(Note 2)</i>	2006
Customer A	20,488	5.6	a property developer affiliated to a listed group in Hong Kong	1997
Customer B	17,600	4.8	a property developer headquartered in Hong Kong	2010

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Top five customers – by affiliated groups

<u>Name of our customers</u>	<u>Turnover contribution to our Group</u> <i>HK\$'000</i>	<u>Approximate percentage to the turnover of our Group</u> <i>%</i>	<u>Background of our customers</u>	<u>Business with our Group commenced since</u>
Hip Hing Construction Co. Ltd. and Customer C	118,844	32.5	property developers affiliated to a listed group in Hong Kong	1997
Board of Management of the Chinese Permanent Cemeteries	109,148	29.8	a not-for-profit body corporate with focus on cemeteries management ^(Note 1)	2009
Hong Kong Housing Society	29,915	8.2	an independent, not-for-profit and non-government organisation with focus on housing development ^(Note 2)	2006
Customer A	20,488	5.6	a property developer affiliated to a listed group in Hong Kong	1997
Customer B	17,600	4.8	a property developer headquartered in Hong Kong	2010

Notes:

- (1) The Board of Management of the Chinese Permanent Cemeteries is a body corporate established pursuant to the Chinese Permanent Cemeteries Ordinance (Chapter 1112 of the Laws of Hong Kong) and is not a government bureau, department nor a related organisation of the Government.
- (2) Hong Kong Housing Society is an organisation established pursuant to the Hong Kong Housing Society Incorporation Ordinance (Chapter 1059 of the Laws of Hong Kong) and is a non-government body.

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For the year ended 31 March 2013

Top five customers – by individual customers

<u>Name of our customer</u>	<u>Turnover contribution to our Group</u>	<u>Approximate percentage to the turnover of our Group</u>	<u>Background of our customer</u>	<u>Business with our customer or its affiliated company commenced since</u>
	<i>HK\$'000</i>	<i>%</i>		
Hip Hing Construction Co. Ltd.	113,160	24.2	a construction contractor affiliated to a listed group in Hong Kong	1997
Century Golden Ltd.	66,280	14.2	a property developer headquartered in Hong Kong	2012
The Open University of Hong Kong	47,086	10.1	an university in Hong Kong	2012
True Synergy Ltd.	37,248	8.0	a property developer affiliated to a listed group in Hong Kong	2008
Customer D	30,598	6.5	a property developer affiliated to a listed group in Hong Kong	1997

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Top five customers – by affiliated groups

<u>Name of our customers</u>	<u>Turnover contribution to our Group</u>	<u>Approximate percentage to the turnover of our Group</u>	<u>Background of our customers</u>	<u>Business with our Group commenced since</u>
	<i>HK\$'000</i>	<i>%</i>		
Hip Hing Construction Co. Ltd., New World Construction Co. Ltd. (formerly known as “Hip Seng Construction Ltd.”), Hong Kong Island Development Ltd. and Customer C	174,275	37.2	construction contractor and property developers affiliated to a listed group in Hong Kong	1997
Century Golden Ltd., True Synergy Ltd. and Brave Sky Investments Ltd.	118,191	25.2	property developers affiliated to a listed group and a property developer headquartered in Hong Kong	2008
The Open University of Hong Kong	47,086	10.1	an university in Hong Kong	2012
Customers A and D	38,342	8.2	property developers affiliated to a listed group in Hong Kong	1997
Hong Kong Housing Society	19,990	4.3	an independent, not-for-profit and non-government organisation with focus on housing development ^(Note)	2006

Note:

Hong Kong Housing Society is an organisation established pursuant to the Hong Kong Housing Society Incorporation Ordinance (Chapter 1059 of the Laws of Hong Kong) and is a non-government body.

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For the year ended 31 March 2014

Top five customers – by individual customers

<u>Name of our customer</u>	<u>Turnover contribution to our Group</u>	<u>Approximate percentage to the turnover of our Group</u>	<u>Background of our customer</u>	<u>Business with our customer or its affiliated company commenced since</u>
	<i>HK\$'000</i>	<i>%</i>		
New World Construction Co. Ltd. (formerly known as “Hip Seng Construction Ltd”)	93,032	24.4	a construction contractor affiliated to a listed group in Hong Kong	1997
Brave Sky Investments Ltd.	61,849	16.2	a property developer affiliated to a listed group in Hong Kong	2008
Customer E	55,537	14.5	a property developer headquartered in Hong Kong	2010
Customer F	54,140	14.2	a property developer affiliated to a listed group in Hong Kong	2012
Customer G	41,710	10.9	a property developer headquartered in Hong Kong	2010

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Top five customers – by affiliated groups

<u>Name of our customers</u>	<u>Turnover contribution to our Group</u> <i>HK\$'000</i>	<u>Approximate percentage to the turnover of our Group</u> <i>%</i>	<u>Background of our customers</u>	<u>Business with our Group commenced since</u>
Customers E and G	97,247	25.4	property developers headquartered in Hong Kong	2010
Hip Hing Construction Co. Ltd. and New World Construction Co. Ltd. (formerly known as “Hip Seng Construction Ltd.”)	93,789	24.6	construction contractor and property developer affiliated to a listed group in Hong Kong	1997
Century Golden Ltd. and Brave Sky Investments Ltd.	80,314	21.0	a property developer affiliated to a listed group and a property developer headquartered in Hong Kong	2008
Customer F	54,140	14.2	a property developer affiliated to a listed group in Hong Kong	2012
Strongly Limited	36,140	9.5	a property developer affiliated to a listed group in Hong Kong	2013

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For the six months ended 30 September 2014

Top five customers – by individual customers

<u>Name of our customer</u>	<u>Turnover contribution to our Group</u>	<u>Approximate percentage to the turnover of our Group</u>	<u>Background of our customer</u>	<u>Business with our customer or its affiliated company commenced since</u>
	<i>HK\$'000</i>	<i>%</i>		
Customer H	34,289	18.5	a property developer affiliated to a listed group in Hong Kong	2014
Caritas – Hong Kong	33,905	18.3	a charitable organisation based in Hong Kong	2013
New World Construction Co. Ltd.	29,970	16.2	a construction contractor affiliated to a listed group in Hong Kong	1997
Strongly Limited	17,335	9.4	a property developer affiliated to a listed group in Hong Kong	2013
Emperor Project Management (Hong Kong) Ltd.	14,067	7.6	a project management company affiliated to a listed group in Hong Kong	2013

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Top five customers – by affiliated groups

<u>Name of our customers</u>	<u>Turnover contribution to our Group</u>	<u>Approximate percentage to the turnover of our Group</u>	<u>Background of our customers</u>	<u>Business with our Group commenced since</u>
	<i>HK\$'000</i>	<i>%</i>		
Customer H	34,289	18.5	a property developer affiliated to a listed group in Hong Kong	2014
Caritas – Hong Kong	33,905	18.3	a charitable organisation based in Hong Kong	2013
Customers A, D, I and J	30,484	16.5	property developers affiliated to a listed group in Hong Kong	1997
New World Construction Co. Ltd.	29,970	16.2	a property developer affiliated to a listed group in Hong Kong	1997
Strongly Limited	17,335	9.4	a property developer affiliated to a listed group in Hong Kong	2013

None of our Directors, their associates or our Shareholders (who or which, to the best knowledge of our Directors own more than 5.0% of the issued capital of the Company) has any interests in the five largest customers of our Group for the Track Record Period. All these five largest customers are Independent Third Parties.

As at the date of this prospectus, our Group had nine contracts on hand (including contracts in progress and contracts of which our work had yet to commence), the contract sum (excluding all contingent and/or provisional contract amounts) for these contracts on hand amounted to approximately HK\$1,017.0 million, of which the largest contract sum (excluding all contingent and/or provisional contract amounts) amounted to approximately HK\$288.0 million, representing approximately 28.3% of the aggregate contract sum for the contracts on hand as at the date of this prospectus.

Key contract terms with our customers

In line with the usual practice in the foundation industry, our business operates on a non-recurring and project-by-project basis. Thus, we have not entered into any long-term master contract with any of our customers. Yet, there are certain common terms that are usually set out in our contracts awarded. Set out below the common terms set out in the contracts undertaken by our Group during the Track Record Period:

- Location: The location of the project site at which our works are to be carried out.

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- **Contract Period:** The duration of time we are allowed to carry out the projects. We are required to follow the specified pre-determined work schedule. Such schedule may be extended from time to time pursuant to the terms of the contract.
- **Types and Scope of Works:** The type of foundation or associated works together with the layout plan as specified in the contract, irrespective of whether the contract is a build only or a design and build one.
- **Payment Terms:** The credit terms for the settlement of payment by our customers vary from contract to contract. Depending on the terms and conditions of the contracts, the credit term generally ranges from 14 to 30 days from the date of invoice. Further details are set out under the paragraph headed “Operations – Project Implementation Phase – Certification and Payment of Works” in this section.
- **Variation Orders/Contingencies:** An amount specified in the contract allowing us to execute additional works or modifying the original scope of works ordered by our customer. The terms of these “variation order” are agreed between our Group and the quantity surveyor authorised by the customer in accordance with the principles that, inter alia, any additional work carried out which is the same as or similar in character to and executed under the same or similar conditions and circumstances to any item of work priced in the original contract shall be valued at the rate set out in the original contract for such item of work.
- **Liquidated Damages:** The amount of liquidated damages payable by us per day if we fail to complete the contractual work as required. The contract period may be extended from time to time pursuant to the terms of the contract. Further details have been set out under the paragraph headed “Operations – Project Completion – Surety bonds/liquidation damages” in this section.
- **Retention Monies:** Retention monies are to secure our Group’s due performance of the contract. Typically, an amount equivalent to 5.0%-10.0% of the value of work certified is retained at each stage, subject to a maximum retention of not more than 5.0% of the awarded contract value or a monetary cap. Further details have been set out under the paragraph headed “Operations – Project Implementation Phase – Certification and Payment of Works” in this section.
- **Surety Bonds:** We are sometimes required to take out surety bonds issued by a bank or an insurance company to secure our Group’s payment of liquidated damages in cases where our Group failed to complete the project on time. Further details have been set out under the paragraph headed “Operations – Project Completion – Surety bonds/liquidated damages” in this section.
- **Default:** We may be held in default of the contract if we, among the others, fail to complete the works within the specified contract period or the extended contract period (where applicable); fail to remedy or make good the defective works, if any, as requested by our customer; or go into liquidation or enter into any repayment scheme or arrangement with any of our creditors.

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Price determination

As mentioned above, our contracts are normally awarded to us through a competitive tender process. Therefore when we determine the tender price, we normally take into account various factors including (i) the required completion date of the project; (ii) the scope and complexity of works required; (iii) the site conditions; (iv) the estimated project timeline for various stages of work; (v) estimated construction materials costs; (vi) the number and types of workers required; (vii) requirements for machineries; (viii) the extent of sub-contracted works required from our sub-contractors; (ix) our relationship with the customers; and (x) prevailing market conditions. Subject to the conditions of the project sites, we may also consider specific factors which include (a) whether there are any underground utilities that may increase our cost in carrying out our foundation works; (b) the conditions of the structures adjacent to the construction site; and (c) whether there are any potential difficulties in carrying out the foundation works, such as difficult access of the required machinery in the construction site, which may increase our project cost.

Certain features of a project site may potentially increase the risks of project obstruction. In order to minimise the financial impact in the event of any occurrence of incidents that may require remedial works and/or project suspension in our future projects, we have set up certain internal control procedures to be adopted prior to Listing, pursuant to which our Group may incorporate a higher profit margin in our tender price where the estimated contract sum is below HK\$30 million (as the amount of variation order will be relatively high in the event of any abrupt occurrence) and/or the project site possesses one or more of the features as set out below:–

- (a) Geological profile: project site with underground boulder layers, rock zone or unstable soil layer which increase the challenge of using the optimal methodology for the foundation and other associated works involved; and/or
- (b) Conditions of neighbouring sites: the presence of defective or dangerous building/structure or unstable sloping in the neighbouring site which may require specific protection works or precaution measures to be applied.

During the Track Record Period, a majority of the contracts entered into by our Group were fixed price contracts. Given the contracts we entered into with our customers often did not include a price adjustment clause, we exercise great care in formulating our tender price and in the preparation of our tender documents. Once our estimator finalises the bill of quantities, our construction manager will determine a tender price having taken into account the factors as set out above and the prevailing price indicators including labour costs and the going rate of sub-contracted works as charged by our sub-contractors in other projects in the preceding months. The tender price will then be reviewed and endorsed by our general manager before it is finalised for submission of the tender. Depending on the complexity or scale of the project, sometimes we may obtain quotations from our sub-contractors prior to submitting a tender proposal and reflect the estimated construction material costs and sub-contracting charges in our tender price.

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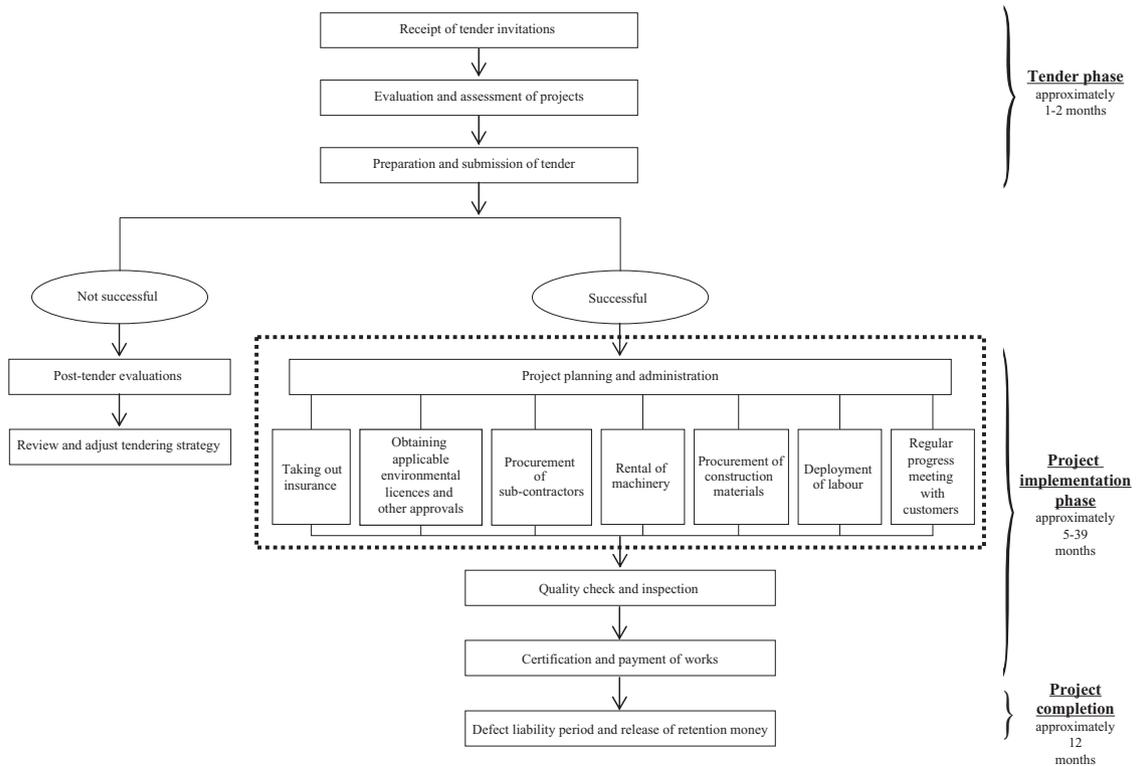
Upon submission of tender, there may be further adjustments in our tender prices subject to feedback from the potential customers. The awarded contract sum as set out in the contract is often slightly different from our initial tender price. Subsequent to the contract award, our customers may make variation orders or other requests of additional works outside the original scope or otherwise modifying the original scope, and in which case we will be paid according to the value of works certified, hence the final contract sum may also differ from the awarded contract sum.

Nonetheless, during the Track Record Period, we have recognised losses in three of our projects. These projects included two ongoing projects namely, the Ma Tau Wai Road Project and the Hing Hon Road Project, whereby estimated losses of approximately HK\$1.8 million and HK\$1.5 million were recorded, respectively due to the additional costs for performing remedial works. Further, having taken into account the remoteness of our customers making successful claims against our Group in relation to these two projects, no provision for potential liquidated damages has been made in our Group's financial statements. For details, please refer to the paragraph headed "Legal and Administrative Proceedings and Possible Claims – (iv) Potential claims and litigations against our Group as at the Latest Practicable Date" in this section. We also recorded a loss of approximately HK\$13.3 million in our project at Ko Shan Road, To Kwa Wan, taking into account the claim for liquidated damages in the amount of approximately HK\$9.3 million, due to delay in completion of the project as a result of unforeseen geological condition at the project site which required additional work and time in completing the project. Nonetheless, as at the Latest Practicable Date, we were in the course of negotiating the amount of liquidated damages with our customer.

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OPERATIONS

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



Operational Procedures

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

Tender Phase

For tender project, we usually receive an invitation letter to tender together with tender documents or addendum which include drawings of the works and conditions of the contract.

Evaluation and assessment of projects

Our tender department is led by our construction manager and is responsible for reviewing tender documents and preparing tender submission. Once we receive a tender invitation, our tender department will evaluate the commercial viability of the project, taking into account factors such as (i) the availability of our Group's resources at the relevant time and whether additional resources are required; (ii) whether our Group has the expertise and qualification required; (iii) the prevailing market conditions; (iv) the site condition,

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complexity and technicality of the project; (v) the estimated costs of the project; and (vi) whether the project timetable is reasonable or sufficient and decide on whether to pursue such opportunity or not.

Where we decide that a potential project is commercially viable, our tender department will proceed to prepare the tender proposal.

Preparation and submission of tender

Our Directors believe that tender review procedure is crucial to our business because our projects are secured through competitive tendering, and such review procedure allows us to budget for a project efficiently and accurately. Further details on the determination of our tender price are set out in the paragraph headed “Contract Awards and Customers – Customers – Price Determination” in this section. When we prepare the tender proposal we will also consider various factors, such as our ability to secure availability of machinery and manpower resources, select the appropriate sub-contractors and availability of necessary construction materials. Our tender department prepares the bill of quantities or schedule of rates which sets out a breakdown of quotation by items based on the scope of works and specifications set out in the tender documents. Site inspection may also be conducted where necessary to assess the site conditions.

For design and build contracts which we are allowed to recommend alternative option(s) to the conforming design layout, appropriate alternative proposals may be made by our construction manager to cater for site conditions and restrictions, requirements from customers and other uncertainties which may be encountered during construction.

Upon finalising the bill of quantities or schedule of rates and other documents according to the tender requirements, which may include our job references, proposed work programme and the alternative proposal for design and build contracts, our Group will submit the tender documents to the potential customers. After tender submission, our construction manager will also follow up with the potential customers on our tender. We may also be interviewed or asked to attend meeting(s) with potential customer to clarify certain particulars of our submitted tender.

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Tenders submitted during the Track Record Period

The table below sets out the number of projects tendered for ^(Note) and awarded to our Group during the Track Record Period:

For the year ended 31 March 2012

Total number of tenders submitted	67
Total number of contracts awarded	7
Success rate (%)	10.4

For the year ended 31 March 2013

Total number of tenders submitted	67
Total number of contracts awarded	6
Success rate (%)	9.0

For the year ended 31 March 2014

Total number of tenders submitted	60
Total number of contracts awarded	8
Success rate (%)	13.3

For the six months ended 30 September 2014

Total number of tenders submitted	21
Total number of contracts awarded	2
Success rate (%)	9.5

Note: We are sometimes requested by potential customers to submit more than one tender proposal for the same project with difference in terms of scope of work and corresponding fee quote. For example, we may be asked to submit a build only quotation as well as a design and build quotation for the same project, and if this happens, they will be counted as two tenders submitted. We can only ascertain the nature of the contract until we are awarded the contract.

As mentioned under the paragraph headed “Operations – Tender Phase – Evaluation and assessment of projects” in this section, our management team takes into consideration, amongst the others, the availability of our Group’s resources in deciding whether to submit a tender. Since a number of projects awarded to us in the year ended 31 March 2014 only commenced works in early 2014, we had slowed the pace of tender submission for the six months ended 30 September 2014 in order to better manage our ongoing projects.

Project Implementation Phase

Project planning and administration

Once our tender proposal is accepted by customer, a letter of award or letter of acceptance will be issued to us by our customer which forms part of the contract. Our project management team will start planning and preparing project quality plan in order to ensure that project is managed with adequate resources. Project works at all stages are identified, and control to exercise on material, critical processes and works are planned and specified. Outputs of such planning requirements are compiled in a project quality plan. Project planning and administration comprises the following aspects:

- *Taking out insurances*

Before the commencement of a project, our Group may take out the employees' compensation insurance and contractors' all risks insurance depending on our role in the project, whether as main contractor or sub-contractor, and subject to the terms of the contract. For further details on insurance, please refer to the paragraph headed "Insurance – employees" in this section.

- *Obtaining applicable environmental licences and other approvals*

Prior to commencement of a project, our Group will according to specifications set out in the contract and our work programme decide what environmental licences and approval are required. We will then submit applications to relevant governmental departments to obtain applicable licences in relation to waste disposal, air pollution and others pursuant to environmental protection requirements.

Our safety officer of each project will set up a safety plan and conduct training with all the staff on site before the commencement of a project. When the project is in progress, our safety officers will monitor the safety procedures and make sure all safety measures are in place on site.

For design and build contracts in which the design is provided by us, we will prepare design proposal for submission by the registered structural engineer or architect of the customer to the Buildings Department for their approval.

- *Procurement of sub-contractors*

Our Group involves sub-contractors in our projects to carry out certain parts of our foundation and associated works. For further details on selection of sub-contractors and our sub-contracting arrangement, please refer to the paragraph headed "Suppliers and Sub-contractors – Sub-contractors – Sub-contracting arrangements with our sub-contractors" in this section.

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- *Rental of machinery*

Most of the works involved in our foundation projects require the use of machinery. Normally, our sub-contractors supply machinery when carrying out their sub-contracting works. In cases where sub-contractors do not provide machinery for us, our Group will rent machinery from our suppliers. Our project management team will assess the requirements for machinery usage at various stages of our projects and coordinate the logistics of delivery of the machinery to our project site. For further details, please refer to the paragraph headed “Machinery” in this section.

- *Procurement of construction materials*

Construction materials used for our projects consist mainly of concrete and steel. We source all major construction materials on our own, unless our customers specify a particular supplier. Our assistant manager monitors the purchase orders placed with our suppliers in accordance with our project schedule. For further details, please refer to the paragraph headed “Suppliers and Sub-contractors – Procurement of construction materials” in this section.

- *Deployment of labour*

Our project management team comprises our general manager, construction manager, assistant manager, site agent, foremen and safety officers and is responsible for general project management, administration, overseeing works schedule and procurement of workers, machinery and equipment and construction materials. For further details on the responsibilities of each individual role in our project management team, please refer to the paragraph headed “Employees” in this section.

Subject to complexity and scale of the project, we assign adequate and qualified personnel to handle individual projects as appropriate. Our Group ensures that our employees are competent to engage in the specific tasks assigned to them and that they receive sufficient training for tasks that require specific skills.

- *Regular progress meetings with customers*

Our project management team holds regular progress meetings with our customers, architects and/or engineers engaged by our customers to assess and review progress of the projects. In the event that there are any concerns or problems encountered in the project implementation, all parties may discuss and resolve such issues on the meetings. Our project management team will also submit progress reports to our customers and architects and/or engineers.

Upon commencement of our projects, our project management team will closely monitor the progress of the works and ensure that the costs incurred, the quality of the work and our overall performance can meet our customers’ requirements as well as the project schedule. At all stages of our works, our Group will deploy our resources to ensure that all health and safety, quality and environment and other related regulations are complied with, so as to ensure smooth and timely execution of works.

Quality check and inspection

As part of our quality control over our construction materials, we have proper control measures in place for receipt and inspection of construction materials, and tests of receiving material are performed to verify conformance with the specification requirements. This procedure is carried out together by our construction manager and site agent.

Should there be any non-conforming construction materials, site agent or site personnel will report in writing to the general manager. Where practical, the received non-conforming construction materials shall be segregated and properly marked to avoid it from being wrongly used in our works.

Our project management team will carry out inspection or test on works during various stage of project implementation. Our general manager decides the appropriate control to be exercised on such works at various project stages to ensure conformance with customers' specification and contract requirements. Our general manager and construction manager will oversee project works inspection and test plan.

For further details, please refer to the paragraph headed "Quality Assurance" in this section.

Certification and payment of works

Our Group recognises turnover based on the stage of completion of our works. Normally, our Group submits payment application to our customers regularly. The cut-off date of such payment applications depends on the specifications in the contracts. The authorised persons employed by our customers are responsible for the certification of the value of the works completed. Upon receiving our regular application, the authorised persons of our customers will issue a progress certificate to certify the works completed in the preceding month. Following the issuance of the certificate, we will issue invoice and our customers are obligated to pay us the amount so certified less the retention money. The credit term generally ranges from 14 to 30 days from the date of invoice. Payment is usually made by way of cheque in Hong Kong dollars.

Our Group keeps proper record 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. Our senior management holds internal meeting to review settlement of our account receivables on a monthly basis. Upon receipt of payment certificates, our accounting department will promptly arrange issue of invoices for the certified value of works done for our customers' settlement. Where our invoices remain outstanding after the credit terms as set out in the relevant contract have lapsed, our accounting department will notify our senior management. Our senior management will then liaise with our customers to follow up with settlement of the outstanding invoices based on the period and the amount overdue, and our relationships with the customers. During the Track Record Period, we had maintained amicable working relationships with our customers and may sometimes allow greater flexibility to long-standing customers in their settlement of our outstanding invoices.

Project Completion

Defect liability period and retention money

- *Defect liability period*

In line with industry practice, a defect liability period is usually required by our customer. The length for such defect liability period is normally 12 months which counts from the day of practical completion of the contract works. Our Group would be responsible for rectifying all defective works during the period. At the end of the defective liability period, certificate of making good defect will be issued.

Normally, within the defect liability period, we are liable for rectifying all defective works, if any. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material claims by our customers in respect of any defective works, and therefore we have not made any provision for repair and maintenance costs in respect of defective works during the defect liability period.

- *Retention money*

In general, there is a contract term for the customer to secure our Group's due performance by holding up retention money from the progress payment. Typically, the maximum certified value retained at each stage is 5.0%-10.0%, subject to a limit of retention fund of not more than 5.0% of the total original contract value or a monetary cap.

The terms and conditions in relation to the release of retention monies also vary from contract to contract, and which may be subject to practical completion, the expiry of the defect liability period or a pre-agreed time period. Generally speaking, the retention money will be released upon issuance of final payment certificate which is normally issued approximately 12 to 18 months after completion of the respective project.

As at 30 September 2014, the retention monies held by the customers for contracted works included in our retention receivables amounted to approximately HK\$67.1 million. We expect all these retention monies to be released according to the respective contracts and work done. As at 30 September 2014, the expected release dates of these retention monies should fall between December 2014 and March 2017.

- *Surety bonds/liquidated damages*

We may be liable to our customers for not completing the project on time and required to pay liquidated damages. Some of our customers request us to take out surety bonds issued by a bank or an insurance company or a bondsman in favour of them, so as to secure due and timely performance by us, to provide for certain circumstances, including (i) unforeseen circumstances beyond the control of our Group; and (ii) variation orders, being additional works beyond the scope of the original contract and performed at the request of the customers, which may delay the completion date, our contracts may include a clause providing for an "extension of time". Such clause may enable our Group to extend the

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completion date subject to parties' agreement. Our Group may be subject to liquidated damages claims from our customers due to the delay of the completion of the project if extension of time entitlements are not granted by our customers.

During the Track Record Period and up to the Latest Practicable Date, our Group had been involved in claims from five of our customers in relation to liquidated damages against our Group, three of which were settled with an aggregate amount of liquidated damages totalling HK\$876,000. As at the Latest Practicable Date, two of the claims were still under negotiation or unsettled and the maximum amount of liquidation damages that we may be held liable is HK\$12.5 million. Such amount is calculated with reference to the number of days of delay in the completion of the projects times the amount of daily liquidated damages as set out in the relevant contracts. We are in the course of negotiating with our customers on the length of time extension that we should be allowed for delay otherwise caused as a result of our default or other reason on our part. Our Directors confirm that the negotiation of the final settlement between our Group and our customers is often a prolonged process which is not uncommon in the construction industry. Therefore, it is possible that our Group would only receive settlement of the final sum of a contract after a lengthy period subsequent to the completion of the relevant projects.

Generally, the amount of surety bond required for a project undertaken by us does not exceed 10.0% of the contract sum and the surety bond normally expires after completion of the project or the defect liability period.

Duration of our foundation projects

Construction periods of our foundation projects are affected by a number of factors including technical complexity, geological conditions, input of machines and labour, expectation of customers and variation of works etc., which can vary widely. The expected project duration and completion time of a project is usually provided in the contract. The duration of our projects completed during the Track Record Period varied from five months to 39 months. In light of any circumstance which may lengthen our construction period, we will discuss with our customer with an aim to restating the required time for completion of the project and adjust our previous quotation.

SUPPLIERS AND SUB-CONTRACTORS

Suppliers

Our suppliers mainly provide us with (i) construction materials such as concrete and steel; and (ii) insurance and consultancy services for our projects. During the Track Record Period, purchases from our largest supplier accounted for approximately 7.8%, 18.1%, 17.0% and 18.4% of the total purchase for each of the years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014, respectively, while purchases from our five largest suppliers accounted for approximately 20.5%, 24.8%, 26.8% and 24.4% of the total purchase for each of the corresponding financial years/period.

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Generally, we select our suppliers from our approved list of suppliers, unless otherwise nominated by our customers. We normally select our suppliers based on their past performance, creditworthiness and pricing competitiveness. Our Directors consider that there are sufficient suppliers of direct materials (including concrete and cement, steel bars and other metal materials) in the market. As there were about 125 suppliers on our approved list of suppliers as at 30 September 2014, we have the flexibility to engage alternative suppliers with comparable quality and prices.

Our five largest suppliers during the Track Record Period

During the Track Record Period, some of our suppliers are affiliated companies to each other. In order to portray our suppliers' profiles, the following information sets out the top five suppliers, by individual suppliers and affiliated groups, respectively, for the Track Record Period:

For the year ended 31 March 2012

Top five suppliers – by individual suppliers

Name of our supplier	Purchase HK\$'000	Approximate percentage to the total purchase of our Group (Note) %	Business with our supplier commenced since	Business of our supplier
Supplier A	20,961	7.8	2000	Sales of steel
Supplier B	15,610	5.8	2002	Sales of steel
Supplier C	7,184	2.7	2005	Sales of concrete
Supplier D	6,156	2.3	2010	Sales of steel
Supplier E	4,995	1.9	2007	Electrical installation

Top five suppliers – by affiliated groups

Name of our suppliers	Purchase HK\$'000	Approximate percentage to the total purchase (Note) %	Business with our Group commenced since	Business of our suppliers
Supplier A	20,961	7.8	2000	Sales of steel
Supplier B	15,610	5.8	2002	Sales of steel
Supplier C	7,184	2.7	2005	Sales of concrete
Supplier D	6,156	2.3	2010	Sales of steel
Supplier E	4,995	1.9	2007	Electrical installation

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For the year ended 31 March 2013

Top five suppliers – by individual suppliers

Name of our supplier	Purchase HK\$'000	Approximate percentage to the total purchase of our Group (Note) %	Business with our supplier commenced since	Business of our supplier
Supplier A	68,103	18.1	2000	Sales of steel
Supplier B	7,408	2.0	2002	Sales of steel
Supplier F	7,396	2.0	2012	Provision of insurance
Supplier G	5,267	1.4	2008	Provision of consultancy service
Supplier H	5,036	1.3	2006	Sales of steel

Top five suppliers – by affiliated groups

Name of our suppliers	Purchase HK\$'000	Approximate percentage to the total purchase (Note) %	Business with our Group commenced since	Business of our suppliers
Supplier A	68,103	18.1	2000	Sales of steel
Supplier B	7,408	2.0	2002	Sales of steel
Supplier F	7,396	2.0	2012	Provision of insurance
Supplier G	5,267	1.4	2008	Provision of consultancy service
Supplier H	5,036	1.3	2006	Sales of steel

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For the year ended 31 March 2014

Top five suppliers – by individual suppliers

Name of our supplier	Purchase <i>HK\$'000</i>	Approximate percentage to the total purchase (Note) of our Group %	Business with our supplier commenced since	Business of our supplier
Supplier A	60,758	17.0	2000	Sales of steel
Supplier I	19,898	5.6	1999	Sales of steel
Supplier J	5,533	1.5	2014	Provision of insurance
Supplier K	5,037	1.4	2004	Sales of concrete
Supplier F	4,657	1.3	2012	Provision of insurance

Top five suppliers – by affiliated groups

Name of our suppliers	Purchase <i>HK\$'000</i>	Approximate percentage to the total purchase (Note) %	Business with our Group commenced since	Business of our suppliers
Supplier A	60,758	17.0	2000	Sales of steel
Suppliers B and I	20,000	5.6	1999	Sales of steel
Suppliers J and K	10,570	2.9	2004	Provision of insurances and sales of concrete
Supplier F	4,657	1.3	2012	Provision of insurances
Supplier O	3,030	0.8	2003	Sales of concrete

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For the six months ended 30 September 2014

Top five suppliers – by individual suppliers

Name of our supplier	Purchase HK\$'000	Approximate percentage to the total purchase of our Group (Note) %	Business with our supplier commenced since	Business of our supplier
Supplier A	26,902	18.4	2000	Sales of steel
Supplier I	2,983	2.0	1999	Sales of steel
Supplier G	2,440	1.7	2008	Provision of consultancy service
Supplier F	1,894	1.3	2012	Provision of insurance
Supplier H	1,532	1.0	2006	Sales of steel

Top five suppliers – by affiliated groups

Name of our suppliers	Purchase HK\$'000	Approximate percentage to the total purchase (Note) %	Business with our Group commenced since	Business of our suppliers
Supplier A	26,902	18.4	2000	Sales of steel
Suppliers B and I	3,125	2.1	1999	Sales of steel
Supplier G	2,440	1.7	2008	Provision of consultancy service
Supplier F	1,894	1.3	2012	Provision of insurances
Supplier H	1,532	1.0	2006	Sales of steel

Note: The total purchase of our Group comprise the (i) purchase of construction materials such as concrete and steel; (ii) purchase regarding sub-contracted work carried out by our sub-contractors; and (iii) others, including, but not limited to, provision of insurance and consultancy services etc. During the years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014, the total purchase of our Group were approximately HK\$267.8 million, HK\$376.6 million and HK\$357.1 million and HK\$146.5 million, respectively.

None of our Directors, their associates or any Shareholders (who or which, to the best knowledge of our Directors, owns more than 5% of the issued share capital of our Company as at the Latest Practicable Date) has any interest in any of our five largest suppliers for the Track Record Period. All these five largest suppliers are Independent Third Parties.

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Usual terms of contracts with our suppliers

We have not entered into any long term supply agreements with our suppliers. We generally adopt the following principal terms in a typical contract made by us with a supplier for our purchase:

Product	The types of products that our supplier is required to provide.
Quantity	The amount of the specified products that our Group required in that order.
Price	The unit price of the products ordered.
Delivery time and location	The time and site location to where the products should be delivered by our supplier.
Payment terms	Payments are usually settled by cheque in Hong Kong dollars. Our suppliers normally grant us credit period of approximately 30 days. In some events, we may be required to sign a credit agreement with our supplier which sets out the payment terms and also the interests on overdue amount.

During the Track Record Period, we did not receive any claim from our suppliers for outstanding payment for their invoices.

Procurement of construction materials

Unless otherwise designated by our customers, major construction materials used by us, including concrete and steel, are sourced by our Group in Hong Kong. When carrying out the contract whether as a main contractor or a sub-contractor, our Group sources the construction materials on our own, unless our customers specified a particular supplier. We normally bear the costs for procurement of the major construction materials which are required for carrying out of our works and that of our sub-contractors. Among the major construction materials used, the cost of steel-type materials is usually the highest.

Normally, our Group obtains quotations from a number of suppliers selected from our approved list of suppliers. Our project management team will then review the quotations and choose the supplier who can provide the best quotation based on our selection criteria as mentioned above. In the event that there is an increase in the price of raw materials, our suppliers still honour the unit price of the raw materials of that particular project set out in the quotations we obtained from our suppliers or otherwise set out in the contract with them. Our assistant manager determines the amount and timing of construction materials to be ordered on a project-by-project basis, as well as at various stages of the projects depending on the progress of works and specific requirements of each project. We normally request our suppliers to deliver the materials purchased by us to the construction site directly. During

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the Track Record Period and up to the Latest Practicable Date, we had not experienced any significant delay in delivery of construction materials by our suppliers causing disruption to our works.

Construction materials costs during the Track Record Period

The costs of construction materials amounted to approximately HK\$74.7 million, HK\$86.7 million, HK\$85.0 million and HK\$39.4 million for the years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014, respectively, representing approximately 25.9%, 23.7%, 28.4% and 26.1% of our direct costs for each of the respective financial period, respectively. Please refer to the paragraph headed “Financial Information – Direct Costs” in this prospectus for the sensitivity analysis in relation to the direct materials costs.

Inventory

We did not record inventory at the end of each financial year/period mainly because (i) our Group generally did not keep excess inventory of construction materials due to limited storage space at our construction sites; and (ii) the construction materials were usually delivered by our suppliers directly to our construction sites for immediate consumption. Our Directors consider that the amounts of construction materials remained at our construction sites as at 31 March 2012, 2013, 2014 and 30 September 2014 were insignificant to our Group.

Sub-contractors

Our Group mainly acted as main contractor in foundation projects undertaken during the Track Record Period and was accountable to our customers for the execution of the contract and the overall management of the project. In line with the usual practice of the foundation industry in Hong Kong, in the implementation of our projects, we usually engage third party sub-contractors to execute some parts of our project so as to maximise our cost efficiency and flexibility, and to utilise the expertise of other specialist contractors. For contracts where we act as a sub-contractor, we also delegate some portion of the project to third party sub-subcontractors and are responsible for the overall conduct of our sub-contractors. During the Track Record Period and up to the Latest Practicable Date, all projects undertaken by our Group involved some degree of sub-contracting.

The sub-contracted works include piling, steel bar fixing, concreting, erection of formwork, excavation and lateral support, site investigation and foundation layout design. We take into account availability of our internal resources, cost of labour and machinery rental, licensing or specialist requirements, and level of complexity and technicality involved in the projects in deciding whether to sub-contract certain work.

Such arrangement enables us to focus on quality control and overall project management and in turn allows us to deploy our resources in a cost-effective manner and to keep a lean organisation structure. It also allows us to undertake more sizable projects which require a larger pool of workers and specific construction skills through engaging sub-contractors that are specialised in that particular area of foundation.

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Our sub-contractors are not our employees or agents. We do not have any employment arrangement with our sub-contractors and their employees.

List of our sub-contractors

Our Group maintains a pre-approved list of sub-contractors and the sub-contractors are selected based on their past performance, credit-worthiness, pricing competitiveness, efficiency as well as their safety, quality and environmental records. We regularly evaluate the performance of our sub-contractors and update our pre-approved list accordingly. Our Group has established a solid and good working relationship with our sub-contractors and this helps facilitate communication with the sub-contractors to ensure quality and timely performance of their works.

Sub-contracting arrangement with our sub-contractors

The sub-contracting arrangement with sub-contractors, to certain extent, varies in accordance with the terms of the main contracts with our customers or main contractors (as the case may be) to meet the contractual requirements of our customers. Our Group does not require consent of our customers before engaging a sub-contractor for the relevant projects.

During the Track Record Period, despite we had not entered into formal agreement with our sub-contractors, our sub-contractors provide quotations to our Group, which once accepted, will form the basis of our engagement of the sub-contractors and are binding on both parties and are enforceable. The quotations provided by our sub-contractors vary among different sub-contractors but typical terms include location of the site, scope of works and pricing breakdowns. The quotations may also provide for terms such as the obligation for taking out employees' compensation insurance and contractor's all risk insurance, supply of water and electricity at project site, procurement of construction materials and removal of surplus materials. Our Directors are of the view that such arrangement with our sub-contractors is in line with the industry practice. Nonetheless, our Group will adopt a compliance manual prior to Listing and as one of the measures to strengthen our internal control in respect of engagement of sub-contractors, our Group plans to enter into master sub-contractor agreements with our sub-contractors in order to formalise the engagement with our sub-contractors after Listing. We expect our sub-contractors to generally adhere to the following principal conducts:

- to ensure that all workers engaged by the sub-contractors are eligible to work in Hong Kong and are qualified to perform the specific tasks/works;
- to ensure that all workers will follow the safety measures established by our Group;
- to comply with instructions of our site agent or his delegate to ensure coordination between the works of the sub-contractors with other work-streams on site;
- to ensure that the progress of their work is in line with the project schedule; and

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- to provide remedial and maintenance works as necessary upon completion of the sub-contracted works.

The above conducts form part of the criteria for selection of sub-contractors on our approved list of sub-contractors and the performance and conduct of our sub-contractors is constantly monitored by our Group. Our general manager and construction manager also conduct regular reviews with our sub-contractors to ensure that they perform their obligations under the sub-contractors' quotations and adhere to our expected conducts and work quality. For further details, please refer to the paragraph headed "Vicarious liability and control measures" in this section. Where the works done by the sub-contractors are found to be non-conforming to our required standard, we would request them to take corrective actions accordingly.

Sub-contracting charges and payment to our sub-contractors

Since our Group has been working with the selected sub-contractors on our pre-approved list for a number of years, we are familiar with their charging rates for various scopes of work. Therefore in determining the tender price, our Group will take into account, amongst other factors, the rate of sub-contracted works of comparable scope and size as charged by our sub-contractors in other recent projects. Reference will also be made to labour prices in the preceding months in order to predict potential adjustments in the sub-contracting costs. Our Group normally obtains quotations from our sub-contractors after receipt of the contract awarded by our potential customers. If we accept the quotation and the relevant terms therein, we will sign on the quotation and return it to the sub-contractor to signify our acceptance. Our Directors are of the view that leveraging on our experience and expertise in this industry and our long-term relationships with our sub-contractors, we have been able to manage the pricing risk involved given the difference in timing of our tender awards and our sub-contractors providing the quotation. For projects which involve higher level of complexity or of larger scale, we may obtain pre-bid quotations from our sub-contractors before submitting our tender.

The sub-contracting charges are usually invoiced on a regular basis with reference to the value of actual work done or the actual time spent in performing the sub-contracted tasks. As part of our usual arrangement with our sub-contractors, we normally do not impose retention money and liquidated damages requirements nor prohibition of sub-contracting on our sub-contractors, and they normally do not specify a credit term in their invoices. Upon receipt of the invoices, our management will generally assess the invoiced items against the original quotations for re-measurements before settlement, taking into account complexity of the works and any additional work performed by the sub-contractors. Payment is normally made within two to six months from the date of invoice and is made by way of cheque in Hong Kong dollars.

The sub-contracting charges incurred by us amounted to approximately HK\$166.6 million, HK\$225.6 million, HK\$166.5 million and HK\$89.8 million for the years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014, respectively, representing approximately 57.9%, 61.7%, 55.7% and 59.4% of our total direct costs for each of the respective financial years/period. The amount of sub-contracting charges varies from projects to projects depending on the nature of the works and the extent of

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involvement of the sub-contractors. Please refer to the paragraph headed “Financial Information – Direct costs” in this prospectus for the sensitivity analysis in relation to the sub-contracting costs.

During the Track Record Period, we had not received claims for outstanding sub-contracting fees from our sub-contractors, save for one case which involved a dispute over the sub-contracting fee with our sub-contractor which had been settled. For details of the case, please refer to the paragraph headed “Legal and administrative proceedings and possible claims – Claims, litigations and arbitrations against our Group settled during the Track Record Period and up to the Latest Practicable Date” in this section.

Vicarious liability and control measures

In general, we are liable to our customers for the performance of our sub-contractors under the main contract entered into between us and our customers. These include the acts, defaults or neglects of the sub-contractors. Nonetheless, we require sub-contractors to rectify all defects or other faults in the sub-contract works that they engaged in within a reasonable time after receiving instructions from us.

In order to manage the conduct of our sub-contractors and ensure the quality and progress of the works of sub-contractors, our Group typically engages sub-contractors who have been working with us for years. Our general manager and construction manager conduct regular reviews on work progress with the appointed sub-contractors. Our Group has established a system to monitor the work performance of the sub-contractors. Job performance of sub-contractors will be verified by either (i) conducting meetings with sub-contractors’ responsible personnel to review their performance; (ii) monitoring sub-contractors on works in progress; or (iii) performing inspection or checking on sub-contractors’ works by site agent or the responsible personnel. Based on the above, our Directors are of the view that the risk of losses or claims caused by the sub-standard performance of works of or delay caused by the sub-contractors is low. During the Track Record Period and up to the Latest Practicable Date, our Group has not received any significant claims or complaints from our customers for sub-standard works of our sub-contractors.

Our sub-contractors are required to present relevant qualification or training certificates or permits for their employees who work at our sites as required under the relevant laws and regulations. Unless all the relevant certificates of their employees required for the carrying out of the construction works are given to the relevant site agent for registration, our sub-contractors are not permitted to commence any construction works. We also take precautions to avoid illegal workers at our sites. During the Track Record Period and up to the Latest Practicable Date, no illegal workers were reported on the sites of any of our projects.

As for compensation and costs liable by our Group for personal injuries of both our employees and our sub-contractors’ employees in respect of the relevant foundation project, our Group is covered by the employees’ compensation insurance taken out by us (where we

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act as main contractor) or by the main contractor (where we act as sub-contractor) on a project-by-project basis. Please refer to the paragraph headed “Insurance – employees” in this section for further details.

Our five largest sub-contractors during the Track Record Period

Sub-contracting work performed by our largest sub-contractor accounted for approximately 10.4%, 22.8%, 16.6% and 18.9% of our total purchase for each of the years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014, respectively, while the sub-contracting works performed by our five largest sub-contractors accounted for approximately 40.7%, 58.2%, 50.8% and 53.7% of our total purchase for each of the corresponding financial years/period. Our Directors consider that there are sufficient sub-contractors in the market who engage in foundation work area that we can delegate some of our works to them. As we had about 17 sub-contractors on our approved list of sub-contractors as at 30 September 2014, we are flexible to engage alternative sub-contractors to take up part of our work.

The following sets out the profile of the top five sub-contractors for the Track Record Period:

For the year ended 31 March 2012

Name of our sub-contractor	Sub-contracting work performed <i>HK\$'000</i>	Approximate percentage to the total purchase ^(Note) of our Group %	Business with our sub-contractor commenced since	Services provided
Sub-contractor A	27,802	10.4	2006	Piling
Sub-contractor B	26,753	10.0	1998	Excavation and lateral support and concreting
Sub-contractor C	25,963	9.7	1997	Excavation and lateral support and concreting
Sub-contractor D	18,203	6.8	2009	Piling
Sub-contractor E	10,257	3.8	2002	Fixing of reinforcement

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For the year ended 31 March 2013

Name of our sub-contractor	Sub-contracting work performed <i>HK\$'000</i>	Approximate percentage to the total purchase ^(Note) of our Group <i>%</i>	Business with our sub-contractor commenced since	Services provided
Sub-contractor C	85,763	22.8	1997	Excavation and lateral support and concreting
Sub-contractor D	78,697	20.9	2009	Piling
Sub-contractor A	28,847	7.7	2006	Piling
Sub-contractor B	16,897	4.5	1998	Excavation and lateral support and concreting
Sub-contractor H	8,833	2.3	2012	Piling

For the year ended 31 March 2014

Name of our sub-contractor	Sub-contracting work performed <i>HK\$'000</i>	Approximate percentage to the total purchase ^(Note) of our Group <i>%</i>	Business with our sub-contractor commenced since	Services provided
Sub-contractor B	59,117	16.6	1998	Excavation and lateral support and concreting
Sub-contractor C	51,292	14.4	1997	Excavation and lateral support and concreting
Sub-contractor D	34,537	9.7	2009	Piling
Sub-contractor F	18,909	5.3	2008	Excavation and lateral support and concreting
Sub-contractor A	17,280	4.8	2006	Piling

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For the six months ended 30 September 2014

Name of our sub-contractor	Sub-contracting work performed <i>HK\$'000</i>	Approximate percentage to the total purchase ^(Note) of our Group <i>%</i>	Business with our sub-contractor commenced since	Services provided
Sub-contractor A	27,742	18.9	2006	Piling
Sub-contractor D	18,428	12.6	2009	Piling
Sub-contractor F	14,089	9.6	2008	Excavation and lateral support and concreting
Sub-contractor B	13,895	9.5	1998	Excavation and lateral support and concreting
Sub-contractor G	4,545	3.1	2014	Piling

Note: The total purchase of our Group comprise the (i) purchase of construction materials such as concrete and steel; (ii) purchase regarding sub-contracted work carried out by our sub-contractors; and (iii) others, including, but not limited to, provision of insurance and consultancy services etc. During the years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014, the total purchase of our Group were approximately HK\$267.8 million, HK\$376.6 million and HK\$357.1 million and HK\$146.5 million, respectively.

None of our Directors, their associates or any Shareholders (who or which, to the best knowledge of our Directors owns more than 5.0% of the issued share capital of our Company as at the Latest Practicable Date) has any interest in any of our five largest sub-contractors for the Track Record Period. All these five largest sub-contractors are Independent Third Parties.

Inter-relationship between our customers, suppliers and sub-contractors

Our customers sometimes require, or otherwise recommend, us to procure construction materials from designated suppliers or engage designated sub-contractors which are affiliates of our customers. The terms of engagements we enter into with the designated suppliers or sub-contractors are generally on normal commercial terms and are comparable to other third party suppliers or sub-contractors. Where we come across recommendation of designated suppliers or sub-contractors from our customers, we will go through our usual procedure in selecting suppliers or sub-contractors taking into account of, amongst others, their credit-worthiness, pricing competitiveness, quality of materials or works and past performance, before deciding on the engagement of a specific supplier or sub-contractor.

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Information on our customers who are also affiliates of our suppliers and/or sub-contractors during the Track Record Period is set out below:

	For the year ended 31 March						For the six months ended 30 September	
	2012		2013		2014		2014	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Customers K and L/Suppliers J and K								
Turnover derived from transaction and % of total turnover with Customers K and L	11,558	3.2%	12,777	2.7%	519	0.1%	6,767	3.7%
Construction material costs charged and % of total purchases from Suppliers J and K	4,946	1.8%	990	0.3%	10,570	2.9%	182	0.1%
Gross profit for projects	2,760	3.5%	(1,800)	-1.8%	124	0.2%	–	0.0%
			(Note)					
Customers I, J, A and D/Suppliers C and L/Sub-contractor H								
Turnover derived from transaction and % of total turnover with Customers I, J, A and D	20,488	5.6%	38,342	8.2%	–	0.0%	30,484	16.5%
Construction material costs charged and % of total purchases from Suppliers C and L	7,184	2.7%	58	0.0%	1,789	0.5%	323	0.2%
Sub-contracting charges charged and % of total purchases from Sub-contractor H	–	0.0%	8,833	2.4%	–	0.0%	–	0.0%
Gross profit for projects	7,644	9.8%	5,077	5.0%	–	0.0%	1,308	3.8%
Hip Hing Construction Co. Ltd., New World Construction Co. Ltd., Hong Kong Island Development Ltd and Customer C/Suppliers M and N								
Turnover derived from transaction and % of total turnover with Hip Hing Construction Co. Ltd., New World Construction Co. Ltd., Hong Kong Island Development Ltd and Customer C	118,844	32.5%	174,275	37.2%	93,789	24.6%	29,970	16.2%
Construction material costs charged and % of total purchases from Suppliers M and N	4,244	1.6%	471	0.1%	462	0.1%	349	0.2%
Gross profit for projects	18,441	23.7%	36,385	35.5%	25,552	31.0%	9,223	27.1%

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Note: We recorded a loss of approximately HK\$1.8 million in the Ma Tau Wai Road Project where abnormal ground settlement occurred adjacent to the site was observed during the early stages of work. The loss was recorded as a result of the additional costs for remedial works of approximately HK\$3.4 million.

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, amongst other factors, the estimated cost incurred, the estimated time for completion and the gross profit margin for each project is thus determined on a project-by-project basis.

MACHINERY

Most of the works involved in our foundation projects require the use of machinery. Normally, our sub-contractors supply machinery required for the carrying out of their sub-contracting works and provide the workers for operation of these machinery. In cases where our sub-contractors do not provide machinery, our Group will lease machinery from our suppliers which also provide for workers to operate the machinery. During the Track Record Period, our Group had entered into three hire purchase agreements with a bank each with a term of five years for the hire of three sets of machinery including two crawler cranes and one set of reverse circulation drill. Pursuant to the hire purchase agreements, we are required to pay monthly hire rent to the bank and are given the option to purchase these machines at a nominal amount at the end of the term. The hire purchase agreements carry an annual interest rate ranging from prime rate minus 1.5% to prime rate minus 2.0% per annum.

In relation to the three sets of machinery under the hire purchase agreements, we have also entered into three lease agreements with three separate sub-contractors, and pursuant to such lease agreements, we have agreed to lease the machinery to the lessees for a term of five years and at a monthly rental that coincides with the term of and the amount of monthly hire rent payable under the corresponding hire purchase agreement that covers the particular machine. Under the lease agreements, our Group will be given priority to use the machinery where we engage the lessees as our sub-contractors in our foundation projects, and the lessees are responsible for the maintenance, repair and insurance of the machinery. They are also responsible to provide the fuel and operators necessary for the operation of the machines.

In light of the back-to-back hire purchase arrangement and the lease arrangement as described above, according to the applicable accounting standard ownership of the three sets of machinery has been substantially transferred to our lessees and therefore the machinery had not been accounted for as our assets for the Track Record Period. Our Directors confirm that such lease arrangement with our sub-contractors was entered into after arm's length negotiation with our lessees in the interest of our Group. The lease arrangement serves as a means to secure supply of essential machinery for our projects without having the need to incur extra cost to provide for maintenance, repair and operators of the machinery. Nonetheless, our Directors confirm that there is no present intention for our Group to carry on any machinery leasing business in near future.

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HEALTH, SAFETY AND ENVIRONMENT

In the foundation industry, health and safety, and environmental protection are important aspects that any foundation companies should pay special attention to. Our Directors believe that our Group's health and safety, quality assurance and environmental management systems are important attributes to our Group's success in the industry.

Health and safety

Our Group is concerned with the health and safety of our employees during the delivery of our services. In recognition of the policies and procedures undertaken by our Group to address potential health and safety issues on our sites, in particular, In Construction was awarded OHSAS 18001:2007 (occupational health and safety management system accreditation) certificates in 2012.

We are committed to provide a safe and healthy working environment for our employees working in the construction sites. In order to avoid any injuries, our project management team will start to implement safety and health plans at the commencement period of each project. In the course of preparation of the tender documents, we will take into consideration the health and safety requirements of our potential customers.

Risks of accidents or injuries to workers are inherent because of the nature of works in the foundation industry. As such, our Group has formulated a safety and health policy for workers at our sites. Our Group's safety and health policy is documented in writing and consists of guidelines for developing safety plans for our projects.

Our Group's safety and health policy adopted and used during the Track Record Period sets out safety measures to prevent accidents and protect our employees and those of our sub-contractors. Some details of our Group's safety and health policy are set out below:

- The safety officer will ensure the safety plan is fully implemented, conduct regular site safety inspections, develop safety training program, ensure that the personnel of our Group are adequately trained to carry out their duties and keep up to date safety law, code of practice and health and safety information.
- The site agent will stop any unsafe acts and suspend any dangerous operation, check and ensure that all plants and equipment are safe and suitable for the job.
- The foreman will inspect site conditions, closely monitor the safety performances of all sub-contractors and workers, stop any unsafe acts and suspend any dangerous operations, and initiate immediate remedial actions to correct unsafe acts and conditions.
- All personnel are required to participate in toolbox talks, safety activities and to attend safety training.
- A safety notice board will be erected on every site for the display of safety information.

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Our Group follows the relevant regulations in Hong Kong in respect of reportable accidents of our employees as set out in the following paragraphs.

Where there is an occurrence of a personal injury or an accident in the workplace which could have resulted in serious injury or damages to the works or plants but no dangerous occurrence (as defined in the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong)) or fatal accident has happened, our safety officer will notify our senior management immediately and initiate the reporting and investigation procedures by preparing a preliminary reporting form. Our Group will set up an accident investigation team comprising of the general manager, the safety officer, the immediate supervisor of the injured in order to investigate the circumstance and causes of the accident. The accident investigation team will make safety improvement recommendations to prevent recurrence of similar injuries or accidents. The accident investigation is usually completed within two to three days of the accident, a report which covers details of the accident including the date, time and location of the accident, a description of the accident, information of the injured and any actions taken for the injured will be prepared. The results and recommendations of the investigation will be submitted to our Directors and any safety improvement measures recommended will be posted on the safety notice board at the work site.

Pursuant to section 15 of the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), we shall report to the Labour Department within 14 days using a completed statutory Form 2 (a prescribed form in the Employees' Compensation Ordinance) in duplicate copies together with the supplementary information including particulars of the accident, the relevant worker's salary and insurance covered ("**Form 2**") for accidents that lead to incapacity of more than three days. For minor accidents that lead to incapacity of not more than three days, a Form 2B (a prescribed form in the Employees' Compensation Ordinance) will be submitted to the Labour Department within 14 days.

In cases where there is dangerous occurrence (as defined in the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong)) or fatal accident, we will notify the Occupational Safety Officer within 24 hours. Our safety officer will also complete preliminary investigation on the accident/incident within the same timeframe. Within seven days, we will report to the Labour Department by submitting the Labour Department's standard "Dangerous Occurrence Report Form" and Form 2 for dangerous occurrence and fatal accident, respectively. A detailed investigation will be completed by our accident investigation team within one week.

All accidents occurred are recorded by our Group. These records include details of the accidents such as date and location of each accident, the nature and the severity of injuries sustained by the worker, as well as possible cause of accident. The accident investigation team is responsible for analysing the statistics and investigation results of the accidents. The accident investigation team will identify the problems and make remedial recommendations to avoid recurrence of similar accidents.

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Accidents during the Track Record Period

For the years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014, we recorded accidents involving (i) 2, 0, 0 and 0 workers who were employed by our Group; and (ii) 4, 2, 7 and 1 workers who were employed by our sub-contractors, respectively. The obligation of reporting these accidents to the relevant authorities vests on the respective employers of the injured workers. For information on the nature of the accidents involving the workers employed by our Group and our sub-contractors during the Track Record Period, all of which had been reported to the Labour Department, please refer to the table headed “Accidents involving the workers employed by our Group and our sub-contractors during the Track Record Period and outstanding and settled claims, litigations and arbitrations against our Group during the Track Record Period and up to the Latest Practicable Date” under the paragraph headed “Legal and administrative proceedings and possible claims” below.

In Hong Kong, all the injured workers are entitled to make claims against their employers pursuant to the Employees’ Compensation Ordinance. Other than that, they may also institute civil claims against their employers and make them liable under common law. According to the Limitation Ordinance (Chapter 347 of the Laws of Hong Kong), a claim for personal injury must be made within three years from the date of the relevant accident. As shown from the table of claims headed “Legal and Administrative Proceedings and Possible Claims – (ii) Accidents involving the workers employed by our Group and our sub-contractors during the Track Record Period and outstanding and settled claims, litigations and arbitrations against our Group during the Track Record Period and up to the Latest Practicable Date” in this section, there are four civil claims commenced against our Group by our Group’s or our sub-contractors’ workers. For other cases that the injured workers have only instituted claims pursuant to the Employees’ Compensation Ordinance, there is possibility that the injured workers may file claims against us under common law since the limitation period for them to lodge a claim against us had not yet expired as at the Latest Practicable Date. Notwithstanding the injured workers’ cause of action under the common law, the compensation paid to them, if any, would be reduced by the compensation already paid to the workers under the Employees’ Compensation Ordinance.

Notwithstanding whether the claims are made under the Employees’ Compensation Ordinance or at common law in Hong Kong, our liabilities for causing injuries to our employees or our sub-contractors’ employees would be sufficiently covered by the insurance maintained by our Group. During the Track Record Period and up to the Latest Practicable Date, in respect of the projects where our Group acted as the main contractor, other than the accident that took place on 31 October 2011 at our project site at Chinese Permanent Cementary, Tseung Kwan O involving a third party worker, there were no other accidents which occurred at our project sites but which our Group had not notified our insurer within the prescribed notification period. As part of our Group’s internal control measure, upon receiving notification of work injury or accidents, a designated office assistant of our Group is responsible for preparing the required documentations regarding the incident for prompt notification to the insurance company where the incident might give rise to potential claim under the policy. Our Directors will review the compliance of such measure on a regular basis going forward.

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As at the Latest Practicable Date, there were seven unsettled personal injuries claims concerning our employees and that of our sub-contractors against our Group. For details, please refer to the legal proceedings set out under paragraph headed “Business – Legal and administrative proceedings and possible claims” in this prospectus.

A comparison of the accident rate per 1,000 workers and fatality rate per 1,000 workers of our Group and our sub-contractors against the industry average in Hong Kong is set out below:

	Industry average in Hong Kong (construction industry)^(Note 1)	Our Group ^(Note 2)
Calendar year 2011		
Accident rate per 1,000 workers	49.7	38.78
Fatality rate per 1,000 workers	0.367	0
Calendar year 2012		
Accident rate per 1,000 workers	44.3	38.78
Fatality rate per 1,000 workers	0.337	0
Calendar year 2013		
Accident rate per 1,000 workers	40.8	45.98
Fatality rate per 1,000 workers	0.277	0
Calendar year 2014		
Accident rate per 1,000 workers	N/A ^(Note 4)	27.37
Fatality rate per 1,000 workers	N/A ^(Note 4)	6.84 ^(Note 3)

Notes:

1. This information is based on the Occupational Safety and Health Statistics Bulletin No.14 (July 2014) published by Occupational Safety and Health Branch, Labour Department.
2. Our Group’s accident/fatality rate is calculated as the occurrence of accidents divided by the daily average construction site workers in our Group’s construction sites during the year. The daily average construction site workers consisted of employees of our Group and that of our sub-contractors.
3. In 2014, there was one fatal accident involving an employee of our sub-subcontractor. Please refer to Note 2 under the paragraph headed “Accidents during the Track Record Period” in this section for more details.
4. Relevant data for the calendar year 2014 had not been published as at the Latest Practicable Date.

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A table showing our Group's lost time injuries frequency rates ("LTIFR(s)") ^(Note) is set out below:

Calendar year 2011	13.10
Calendar year 2012	13.06
Calendar year 2013	15.53
Calendar year 2014	9.25

Note: LTIFR is a frequency rate that shows how many lost time injuries occurred over a specified time (e.g. per 1,000,000 hours) worked in a period. The LTIFRs shown above are calculated by using the total labour hours worked per year to divide the number of recordable cases and multiply by 1,000,000. It is assumed that the working hours of each worker is 10 hours per day. The number of working days for the calendar years 2011, 2012, 2013 and 2014 were approximately 296 days, 297 days, 296 days and 296 days, respectively.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, other than disclosed under the paragraph headed "Non-compliances" in this section, we complied in all material respects with all the relevant laws, rules and regulations relating to safety and health. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, (i) our Group had filed and reported to relevant authorities all work-related accidents; and (ii) save as disclosed under the paragraph headed "Non-compliances" in this section, such authorities had not imposed any penalty, conditions or specific safety requirements on our Group for our work-related accidents and injuries. Our Directors are of the view that such work-related accidents and injuries have no impact on our Group's retention of specialist contractor licence going forward.

Insurance – employees

A main contractor of a foundation project is legally required to take out employees' compensation insurance which covers its own employees and its sub-contractors' employees of all tiers. Further, a main contractor is generally required to take out contractor's all risks insurance for the entire construction project covering works performed by its and its sub-contractors, which covers our liabilities arising from potential damage to the buildings or structures under our works and our sub-contractors' works, as well as potential bodily injury to third parties or damage to third parties' properties as a result of the performance of our works. In some circumstances, our employers may take out contractor's all risks insurance instead of requiring the main contractor to do so. Our Directors confirm that during the Track Record Period, all our projects and our employees and that of our sub-contractors were covered by contractors' all risks insurance and employees' compensation insurance, respectively.

Additionally, our Group has maintained insurance cover for its liabilities under employee compensation and personal injury claims for our own employees, which meets the statutory minimum insurance coverage of HK\$100.0 million per accident.

Our Directors consider that we have obtained adequate insurance coverage for the operation of our business and is consistent with industry norm having regard to our current operations and the prevailing industry practice.

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Environment

Our Group places an emphasis on environmental protection when undertaking our projects. Our Group was awarded the ISO 14001:2004 (environment management system accreditation). The current ISO 14001:2004 certificate is valid from 3 September 2014 until 3 September 2017.

When preparing the tender documents, our Group will take into consideration the environmental protection requirements of our potential customers as well as the laws and regulations in relation to environmental protection. Please refer to the section headed “Regulatory Overview” in this prospectus.

During the Track Record Period, the aggregate annual cost of compliance with applicable environmental laws and regulations in Hong Kong was approximately HK\$6.5 million, HK\$17.7 million, HK\$17.5 million and HK\$2.6 million, respectively, and primarily consisted of transportation costs and dumping charges. During the Track Record Period and up to the Latest Practicable Date, our Group had no material non-compliance or violations on any laws and regulations in relation to environmental protection.

Our safety officers are responsible for ensuring that our Group satisfies all the laws and regulations requirements in relation to environmental protection and identifying and reporting on environmental issues to our project management team.

Social Responsibility

With the commitment to being a socially responsible corporation, we are dedicated to develop and implement sustainably good corporate policies in areas including environmental protection, staff management and development as well as occupational health and safety. We are committed to providing a safe, healthy and environmental friendly working environment to our staff. We ensure that our staff is aware of applicable measures and guidelines regarding safety, health and environment issues by providing them a health and safety manual as well as safety training. In 2011, our Group was awarded the Bronze Award of the Considerate Contractors Site Award Scheme by the Development Bureau for our project at Tanner Hill, North Point. The Considerate Contractors Site Award Scheme aims to promote a considerate attitude and good site safety, health and environmental practices for construction sites and is a recognition of our Group’s effort in maintaining a safe and environmental friendly construction site.

QUALITY ASSURANCE

Our Group considers that our ability to deliver quality work on time and within our pre-determined project budget to our customers is an important attribute to the success of our Group. Our Group has maintained a quality management system which follows the ISO 9001 standards so as to execute the quality assurance policy of our Group. The quality management system of In Construction has been ISO 9001 certified since 1998 for the design and the construction of piling foundation including large diameter bored pile, rock

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socketed steel H-pile in pre-bored hole, minipile, non-percussion in cast in-situ driven steel H-pile, pile cap, site formation and footings. The current ISO 9001:2008 certificate (as revised and amended from ISO 9001:2000) is valid from 21 April 2013 until 20 April 2016.

Our Group's quality management system is set out in our quality manual which covers the design and construction of piling foundation including large diameter bored pile with bell-out, rock socketed steel H-pile and driven steel H-pile, pile cap, site formation and highways, design and construction and landslip preventive and remedial works to slopes and retaining walls and demolition of buildings and structures with demolition design. Our quality management system is carried out throughout the foundation works process from the construction materials procurement stage to the completion stage to ensure that the projects meet the standards required by each customer.

Projects quality control

Our Group decides the engagement of the sub-contractors, deployment of machinery and equipment and qualification of personnel of a particular project depending on the project site, the nature and complexity of the project and the availability of the resources at the time. Before our project starts, our general manager and construction manager will prepare an inspection and test plan based on the scope of works of the project. They will review the contractual specification against the pre-set criteria in the inspection and test the plan throughout the stages of each project. Our project management team, which comprises of our general manager, construction manager and the site agent in the respective project, has regular progress meetings with our customers to ensure that the works executed at each stage meet the standard requirements of each customer. Our Group has procedure and quality manuals for all of our staff to follow. In case of any variations of the works done, our Group will follow the procedures stated in our procedure and quality manuals for rectifications.

INTELLECTUAL PROPERTY

We have marketed our business in Hong Kong using “”, “ In Construction”, “**InCon**”, “**現恆**” and “**現恆建築**” as our brand names, and as at the Latest Practicable Date, we had registered five trademarks in Hong Kong and one application for registration of our trademark in Hong Kong was in progress. Detailed information of our intellectual property rights is set out in the section headed “Further information about the business of our Group – Intellectual property rights of our Group” in Appendix V to this prospectus.

Other than disclosed above, our business or profitability is not dependent on any patent or licence or other intellectual property rights. As at the Latest Practicable Date, we had not engaged in, and were not aware of, any litigation or legal proceedings for violation of intellectual property rights or any material violation.

EMPLOYEES

We value our employees and our Directors believe that we have maintained a good working relationship with our employees. We had not experienced any incident of work stoppage or labour dispute during the Track Record Period and up to the Latest Practicable Date.

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Set out below is the number of full-time employees by function of our Group as at the end of each financial year and the six months ended 30 September 2014:

	As at 31 March		As at 30 September	
	2012	2013	2014	2014
Number of staff				
Project management	19	19	19	18
Technician	13	20	17	17
Worker/Security guard	11	11	13	13
Accounting and administration	<u>3</u>	<u>3</u>	<u>3</u>	<u>4</u>
Total	<u>46</u>	<u>53</u>	<u>52</u>	<u>52</u>

Training of our employees

We encourage our employees to attend training programs and to attain professional certifications or registrations and will provide appropriate assistance to suit their educational needs so as to enhance their skill sets at work as well as to promote health and safety at work sites. We believe these measures promote our employees' overall efficiency and loyalty to our Group and at the same time serve as a means to retain quality employees. New employees are normally subject to a one month probation period and are required to undergo training to familiarise themselves with the applicable rules and regulations, in particular, safety measures involved in the performance of their work.

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Responsibilities of our project management team

As at the Latest Practicable Date, there were 20 staff members in our project management team. The table below sets out the key roles and responsibilities of members in our project management team:

Position	Responsibilities	Number of staff as at the Latest Practicable Date
General Manager	<p>Responsible for the overall operation of the project including:</p> <ul style="list-style-type: none"> ● Review design and change of design whenever necessary ● Manage projects and co-ordinate with customer, project consultants and sub-contractors ● Take lead in the overall project matters and handle non-conforming works ● Handle variation orders as requested by customers ● Ensure works quality, safety and environmental issues in accordance with the customers' requirements and statutory regulations ● Conduct regular reviews on work progress with the appointed sub-contractor ● Monitor the overall operation of the construction works ● Ensure all contracts requirements are met ● Assess the qualification and eligibility of all site staff ● Approve tender documents 	1
Construction Manager	<p>Responsible for performing the following functions:</p> <ul style="list-style-type: none"> ● Prepare for the design of the project in design and build works ● Liaise with the relevant government departments in relation to the preparation work before commencement of the project ● Review customer requirement ● Prepare and review project plan and allocation of resources ● Conduct regular reviews on work progress with the appointed sub-contractor ● Take lead in overall tender process ● Handle variation measurements 	1

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Position	Responsibilities	Number of staff as at the Latest Practicable Date
Assistant Manager	Responsible for performing the following functions: <ul style="list-style-type: none"> ● Handle regular progress payment and payment application, including sub-contractors' progress payments ● Ensure the construction work is carried out within our estimated cost and time ● Ensure all supplies are ordered in the correct amount and are according to project schedule ● Assist in administration of contracts ● Make sure all the materials can be delivered on time ● Handle variation measurements 	4
Site Agent	Responsible for assisting the general manager/ construction manager and performing the following functions: <ul style="list-style-type: none"> ● Assist in the monitoring of the progress of the project ● Supervise the works on site ● Liaise with representatives of consultants and customers on-site ● Carry out inspection of works with the engineer ● Ensure the works carried out can meet contract requirements 	7
Estimator	Responsible for assisting the general manager/ construction manager and performing the following functions: <ul style="list-style-type: none"> ● Handle cost estimation ● Handle tender documentation 	1
Foreman	Responsible for assisting site agent and performing the following function: <ul style="list-style-type: none"> ● Supervise the works to ensure they are carried out in accordance with specifications and drawings 	2

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Position	Responsibilities	Number of staff as at the Latest Practicable Date
Safety Officer	<p>Responsible for assisting the general manager/ construction manager and site agent and performing the following functions:</p> <ul style="list-style-type: none">● Brief all staff on site on safety issues including prevention of injury, and legal requirements and laws and regulations in relation to safety, health and environment● Carry out safety trainings for site workers● Carry out safety inspection on site● Prepare accident report and give recommendation for avoidance of injuries and damages● Assess accident trends and thus review overall safety performance● Ensure all workers have observed and followed the safety standards● Submit bi-weekly report to our Group	4

Currently, our Group has four safety officers, all of them have obtained various certificates in relation to safety management. All of our safety officers have over 14 years of experience in the construction industry, among them three have joined our Group for a period ranging from approximately two years to eight years and the other one joined our Group in February 2015. Two of our safety officers have obtained a bachelor degree in construction-related area. Our safety officers are all registered safety officers with the Labour Department and are required to attend not less than 100 hours of safety related trainings on a regular basis. During the Track Record Period, all of our safety officers had attended the safety related trainings.

One of our safety officers was the responsible safety officer of the projects where the non-compliance incidents as disclosed under the paragraph headed “Non-Compliances” in this section took place. Subsequent to the non-compliance incidents, our management team had alerted the safety officer of areas that he should pay particular attention to and improve going forward, and we had provided adequate safety measures and trainings to our staff and workers at site. In particular, the safety officer involved in the non-compliance incidents had attended the required training and had successfully renewed his registration with the Labour Department subsequent to the incidents.

Recruitment of our employees

The remuneration package we offer to our employees includes salary, discretionary bonuses and allowance. We determine employee salaries based on their qualifications, position and performance.

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Recruitment of illegal workers in our office or at our sites is prohibited. Our Group will check the identification documents provided by the candidates to ensure that they are eligible to work in Hong Kong. During the Track Record Period and up to the Latest Practicable Date, no illegal workers had been reported in the sites for which we were responsible for workers' arrangement. We also require our sub-contractors to check the identification documents of their workers to ensure that no illegal workers are hired to work in the sites for which we are responsible.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, our Group had no material non-compliance with all the applicable employment laws, rules and regulations in Hong Kong.

PROPERTIES

We do not own any property and lease all of the premises occupied by us. As at the Latest Practicable Date, we had seven leased properties located in Hong Kong.

In connection with the seven leased properties in Hong Kong, one of these properties is occupied by us as our office while the remaining six properties are used by us primarily for holding progress meetings with our customers. The property occupied by us as our office is leased from a connected person of our Group, the details of which are set out under the section headed "Connected Transactions" in this prospectus.

NON-COMPLIANCES

Our Directors confirm that save as disclosed in the table below, we had complied with all applicable laws and regulations in Hong Kong in all material respects during the Track Record Period and up to the Latest Practicable Date:

Details of non-compliance event	Relevant site	Date of the relevant event	Relevant section(s) of the ordinance	Penalty for non-compliance	Reasons for the non-compliance	Rectification
Failure to provide, use and maintain safety measures to prevent a person from falling from a height of two metres or more.	Merlin Street, North Point.	7 Sept 2012	Regulations 38B(1), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations made under the Factories and Industrial Undertakings Ordinance.	In Construction was ordered a fine of HK\$52,000 which was paid on 22 March 2013.	The safety officer at the project site failed to ensure workers' compliance with safety measures	<ul style="list-style-type: none">• We provided safety measures to prevent any person in the construction site from falling from height.• Training was organised to enhance safety awareness of our staff and workers at site.

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Details of non-compliance event	Relevant site	Date of the relevant event	Relevant section(s) of the ordinance	Penalty for non-compliance	Reasons for the non-compliance	Rectification
Failure to provide, use and maintain safety measures to prevent a person from falling from a height of two metres or more.	Chung Hau Street, Ho Man Tin.	11 Sept 2012	Regulations 38B(1), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations made under the Factories and Industrial Undertakings Ordinance.	In Construction was ordered a fine of HK\$52,000 which was paid on 12 April 2013.	The safety officer at the project site failed to ensure provision of adequate safety equipment for workers working at height	<ul style="list-style-type: none"> ● We provided verbal warning and written warning to the sub-contractor. ● We provided safety measures to prevent any person in the construction site from falling from height. ● Training was organised to enhance safety awareness of our staff and workers at site.
Failure to provide, use and maintain safety measures to prevent a person from falling from a height of two metres or more.	Argyle Street and Julia Avenue.	7 May 2013	Regulations 38B(1), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations made under the Factories and Industrial Undertakings Ordinance.	In Construction was ordered a fine of HK\$40,000 which was paid on 29 November 2013.	The safety officer at the project site failed to ensure provision of adequate safety equipment for workers working at height	<ul style="list-style-type: none"> ● We provided safety measures to prevent any person in the construction site from falling from height. ● Training was organised to enhance safety awareness of our staff and workers at site.

Internal control measures to prevent recurrence of non-compliance incidents

In order to prevent recurrence of the abovementioned non-compliances in the future, our Group has, 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 headed “Internal Controls” below, adopted or will adopt the following measures:

- (1) To strengthen safety at our work sites, we have hired one additional safety officer since the end of the Track Record Period and are in the course of recruiting one additional safety officer to monitor the safety issues at sites and ensure that our workers and that of our sub-contractors have complied with the relevant safety measures. In this regard, our Group had posted various recruitment advertisements and had interviewed a number of interviewees. Given that the number of projects on hand has been stable over the Track Record Period, our Directors consider that upon the recruitment of an additional safety officer, our Group will be able to further enhance the safety monitoring at each of our project sites;
- (2) We have in place more regular safety trainings to workers at our sites to ensure they have sufficient knowledge and to raise their awareness on the safety measures;

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- (3) Regular training given by external safety consultant will be arranged at least annually for all staff members so as to discuss and study the relevant regulatory and safety requirements in relation to our responsibilities and duties. To demonstrate our commitment, our Group had already arranged our employees to attend and they had attended an Occupational Safety & Health Seminar held by the Occupational Safety & Health Council in September 2014. Our Group has also enrolled for three trainings organised by the Labour Department or external organisation in the first quarter of 2015;
- (4) Prior to 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 staff 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.

Internal control measures to improve corporate governance

In order to continuously improve our Group's corporate governance in the future, our Group has adopted or will adopt the following measures recommended by CT Partners:

- (1) We have established the Audit Committee for ensuring compliance with the relevant statutory and regulatory requirements. The Audit Committee has adopted its terms of reference which set out clearly its duties and obligations to, among other things, overseeing the internal control procedures and accounting and financial reporting matter of our Group, and ensuring compliance with the relevant laws and regulations; and
- (2) When necessary, we will engage external professionals, including auditors, external legal adviser and other advisers to render professional advice as to compliances with statutory and regulatory requirements as applicable to our Group from time to time. We have also appointed Oriental Patron as our compliance adviser to advise our Group on compliance matters in accordance with the Listing Rules after Listing.

View of our Directors and the Sole Sponsor

Our Directors are of the view that the non-compliance incidents do not have any material impact on the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules and our suitability for Listing under Rule 8.04 of the Listing Rules. The Sole Sponsor, having taken into account (i) the nature of the non-compliance incidents and the extent of penalty imposed on our Group; (ii) the internal control measures which have been implemented (or will be implemented where applicable) by our Group; (iii) there were no recurring of similar non-compliance incidents since the implementation of such measures, concurred with our Directors' view that our internal control measures are adequate and effective and the non-compliance incidents do not have any material impact on the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules and our suitability for Listing under Rule 8.04 of the Listing Rules.

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INTERNAL CONTROLS

On 1 September 2014, we engaged CT Partners to perform a detailed evaluation under the Committee of Sponsoring Organisations of the Treadway Commission's 2013 framework of the adequacy and effectiveness of our Group's internal control system including the areas of financial, operation, compliance and risk management. Following such review and evaluation performed by CT Partners, our Group has implemented all of the recommendations given by CT Partners on our internal control system.

CT Partners is a company rendering internal control review services, which has been previously engaged in internal control review projects for a number of companies listed on the Stock Exchange. Besides, the engagement team of CT Partners includes a Certified Internal Auditor, members of the Hong Kong Institute of Certified Public Accountants, a member of the Society of Chinese Accountants & Auditors, a fellow member of the Association of Chartered Certified Accountants, a member of the Association of International Accountants, a member of 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 section "Business – Internal control measures to prevent the recurrence of non-compliance incidents" in this prospectus.

On 18 November 2014, CT Partners completed the follow up review in this connection and the result of the follow up review was that they did not note any statement of findings of material weakness or material insufficiency in our Group's internal control system.

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LEGAL AND ADMINISTRATIVE PROCEEDINGS AND POSSIBLE CLAIMS

During the Track Record Period and up to the Latest Practicable Date, our Group had been or was involved in a number of claims and litigations.

We set out below a summary of the (i) settled, outstanding and potential claims for liquidated damages from our customers during the Track Record Period and up to the Latest Practicable Date; (ii) accidents involving the workers employed by our Group and our sub-contractors during the Track Record Period and outstanding and settled claims, litigations and arbitrations against our Group during the Track Record Period and up to the Latest Practicable Date; (iii) outstanding arbitration involved by our Group as at the Latest Practicable Date; and (iv) potential claims and litigations against our Group as at the Latest Practicable Date:

(i) Settled, outstanding and potential claims for liquidated damages from our customers and the amount incurred and/or to be incurred due to additional and/or remedial works during the Track Record Period and up to the Latest Practicable Date

No.	Project site	Provisioned amount (<i>approx.</i>) HK\$'000	Status of claim as at the Latest Practicable Date	Potential claim amount (<i>approx.</i>) HK\$'000	Major reason(s) for delay in the completion of works	Amount incurred and/or to be incurred due to additional and/or remedial works (<i>approx.</i>) HK\$'000	Contract sum (excluding all contingent and/or provisional contract amount) (<i>approx.</i>) HK\$'000
1.	Model Lane, North Point	165	Settled	–	Additional hoarding works at neighbouring site	N/A (<i>Note 1</i>)	9,254
2.	Ming Wah Dai Ha, Shau Kei Wan	11	Settled	–	Unforeseen geological condition of the site	N/A (<i>Note 2</i>)	13,648
3.	St. Paul Co-Educational College, MacDonnell Road	700	Settled	–	Additional hoarding works at neighbouring site	N/A (<i>Note 1</i>)	63,392
4.	Bulkeley Street, Hung Hom	3,240 (<i>Note 3</i>)	Under negotiation	–	Additional works required for diversion of existing underground utilities cables and to obtain government approval for such diversion works	N/A (<i>Note 4</i>)	37,654
5.	Ko Shan Road, To Kwa Wan	9,300 (<i>Note 3</i>)	Under negotiation	–	Unforeseen geological condition of the site	9,200	76,512

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No.	Project site	Provisioned amount (<i>approx.</i>) HK\$'000	Status of claim as at the Latest Practicable Date	Potential claim amount (<i>approx.</i>) HK\$'000	Major reason(s) for delay in the completion of works	Amount incurred and/or to be incurred due to additional and/or remedial works (<i>approx.</i>) HK\$'000	Contract sum (excluding all contingent and/or provisional contract amount) (<i>approx.</i>) HK\$'000
6.	Ma Tau Wai Road, To Kwa Wan	-	N/A	5,100	Suspension of works due to abnormal ground settlement occurred adjacent to the site For further information, please refer to the paragraph headed "Legal and Administrative Proceedings and Possible Claims – (iv) Potential claims and litigations against our Group as at the Latest Practicable Date – Ma Tau Wai Road Project" in this section	3,400	28,900
7.	Hing Hon Road, Pok Fu Lam	-	N/A	9,800	Suspension of works and remedial works performed due to tilting of adjacent building For further information, please refer to the paragraph headed "Legal and Administrative Proceedings and Possible Claims – (iv) Potential claims and litigations against our Group as at the Latest Practicable Date – Hing Hon Road Project" in this section	4,300	23,400

Notes:

- (1) No additional cost was incurred for the additional hoarding works involved. Nonetheless, additional time was spent in obtaining consent for the hoarding works from the owner of the neighbouring site resulting in the claim for liquidated damages.
- (2) The claim for liquidated damages was settled during the Track Record Period but the cost for additional works was incurred outside the Track Record Period.

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- (3) This amount represents the maximum amount of liquidated damages that our customer may claim from us under the contract. As the claim for liquidated damages is under negotiation with our customer, subject to our customer granting extension of time, the final sum of liquidated damages may be less than the provisioned sum.
- (4) The cost of the additional works required for diversion was borne by our customer of the project. Nonetheless, additional time was incurred for carrying out the additional works required for diversion resulting in the claim for liquidated damages.

(ii) Accidents involving the workers employed by our Group and our sub-contractors during the Track Record Period and outstanding and settled claims, litigations and arbitrations against our Group during the Track Record Period and up to the Latest Practicable Date

No.	Date of the accident/civil action	Project site	Nature of the accident/claim	Identity of the injured worker/capacity of the plaintiff(s)/applicant(s)	Compensation claimed/amount settled	Insurance coverage	Status as at the Latest Practicable Date
1.	30 Apr 2007	Ming Wah Dai Ha, Shau Kei Wan	A worker alleged that his left hand and waist were injured by falling. An employee's compensation claim for personal injuries sustained by the worker (Action no. DCEC351/2008).	Group's employee	An employees' compensation of HK\$80,000 was made. (Note 1)	100%	Fully settled
2.	4 Jan 2008	Oxford Road & Lancashire Road, Kowloon Tong	A worker was struck by a dislocated sheet pile and died. A claim for damages for personal injuries sustained by the worker (Action no. HCPI4/2011).	Injured worker: Sub-contractor's employee Plaintiff: Widow of the diseased	A claim for damages for personal injuries of HK\$2,600,000.	100%	Outstanding The insurer has taken over the proceedings. Attended checklist review hearing on 20 Feb 2014.
3.	7 Jan 2008	Ming Wah Dai Ha, Shau Kei Wan	A worker alleged that her right leg was injured by the mud bucket. An employee's compensation claim for personal injuries sustained by the worker (Action no. DCEC763/2009).	Group's employee	An employees' compensation of HK\$80,000 was made. (Note 1)	100%	Fully settled
4.	30 Apr 2009	Shatin, New Territories	Contractual dispute Civil action (Action no. HCA1116/2009) (Note 2)	Sub-contractor	The settlement amount of the arbitration proceedings was not disclosed due to confidentiality agreement.	N/A	Fully settled

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No.	Date of the accident/civil action	Project site	Nature of the accident/claim	Identity of the injured worker/capacity of the plaintiff(s)/applicant(s)	Compensation claimed/amount settled	Insurance coverage	Status as at the Latest Practicable Date
5.	24 Oct 2011	On Lan Street, Central	A worker alleged that three of his fingers were injured by H-beam.	Sub-contractor's employee	An employees' compensation of HK\$443,000.00 was made.	100%	Fully settled
6.	31 Oct 2011	Chinese Permanent Cemetery, Tseung Kwan O	A third party worker alleged that his left leg was hurt when falling into an uncovered cable trough. A claim for damages for personal injuries sustained by the third party worker (Action no. DCP12124/2014).	Employee of customer's contractor	The third party worker has filed a civil claim to the court and the claim is HK\$1,133,484.20 plus interest. (Note 3)	Not covered by the contractors' all risks insurance as the notification period for the accident had expired.	Outstanding The third party worker filed a statement of claim and statement of damages on 31 December 2014.
7.	23 Nov 2011	On Lan Street, Central	A worker alleged that his right foot was injured by a moving steel bar.	Sub-contractor's employee	An employees' compensation of HK\$220,000.00 was made.	100%	Fully settled
8.	5 Dec 2011	Tanner Road, North Point	A worker alleged that his head was injured by falling.	Sub-contractor's employee	An employees' compensation of HK\$87,120 was made.	100%	Fully settled
9.	13 Jan 2012	Tanner Road, North Point	A worker alleged that his right clavicle was injured by the gate.	Group's employee	An employees' compensation of HK\$7,003.41 was made.	100%	Fully settled
10.	18 Feb 2012	Zones 1A, 1B & 2B for New World Center, Tsim Sha Tsui	A worker alleged that his foot was injured when uploading the sheet piles. An employee's compensation claim (Action no. DCEC236/2014) and a civil claim (Action no. HCPI 1341/2014) for personal injuries sustained by the worker.	Group's employee	An employees' compensation claim of HK\$601,335.17 was made. Civil claim is in progress and the amount of claim is HK\$1,138,864.83 (excluding interest and sanctioned payment of HK\$250,000). (Note 4)	100%	Outstanding The employees' compensation claim was settled. As at the Latest Practicable Date, the parties had referred the civil case to mediation pending further instruction from Court.
11.	3 Mar 2012	Tanner Road, North Point	A worker alleged that his left thumb was injured by the throttle valve of concrete hopper.	Sub-contractor's employee	An employees' compensation of HK\$79,048.33 was made.	100%	Fully settled
12.	14 Apr 2012	Zones 1A, 1B & 2B for New World Center, Tsim Sha Tsui	A worker alleged that his head was injured with scalp laceration.	Sub-contractor's employee	An employees' compensation of HK\$3,000 was made.	HK\$3,000 were paid by the direct employer of the worker.	Fully settled

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No.	Date of the accident/civil action	Project site	Nature of the accident/claim	Identity of the injured worker/capacity of the plaintiff(s)/applicant(s)	Compensation claimed/amount settled	Insurance coverage	Status as at the Latest Practicable Date
13.	20 Jul 2012	Open University Campus at Chung Hau Street, Ho Man Tin	<p>A worker alleged that he suffered from left middle finger cut.</p> <p>An employee's compensation claim (Action no. DCEC2143/2012) and a claim for damages (Action no. HCPI397/2014) for personal injuries sustained by the worker.</p>	Sub-contractor's employee	<p>An employees' compensation of HK\$162,690.00 was made.</p> <p>The worker has filed a civil claim to the court. The claim is HK\$2,765,296.00 plus interests and costs.</p>	100%	<p>Outstanding</p> <p>The claim under the Employees' Compensation Ordinance was settled.</p> <p>As at the Latest Practicable Date, the worker had made a personal injuries claim to the Court of First Instance against our Group.</p>
14.	27 May 2013	Cannon Street and Jaffe Street, Causeway Bay	<p>A worker alleged that his right wrist was injured by hitting accessories of a machine nearby.</p> <p>An employee's compensation claim for personal injuries sustained by the worker (Action no. DCEC2424/2014).</p>	Sub-contractor's employee	<p>An employees' compensation of HK\$322,004.12 was made.</p> <p>The worker has filed a civil claim to the court. The amount of claim is to be assessed. (Note 4)</p>	100%	<p>Outstanding</p> <p>The amount of HK\$322,004.12 was settled.</p> <p>The insurer has taken over the proceedings. The worker made an application for relief/order to the court on 21 November 2014.</p>
15.	1 Jun 2013	Wellington Street, Central	A worker alleged that his waist was injured by falling on a H-beam.	Sub-contractor's employee	An employees' compensation of HK\$84,152.93 was made.	100%	Fully settled
16.	10 Jul 2013	Wellington Street, Central	A worker alleged that his back was injured by falling on a H-beam.	Sub-contractor's employee	An employees' compensation of HK\$228,561.6 was made.	100%	Fully settled
17.	19 Jul 2013	Ko Shan Road, To Kwa Wan	A worker alleged that his right middle finger was cut by a wire.	Sub-contractor's employee	N/A	N/A	The worker withdrew the claim.
18.	7 Aug 2013	Wellington Street, Central	<p>A worker alleged that his left ring finger was injured by a dropped metal bar.</p> <p>An employee's compensation claim for personal injuries sustained by the worker (Action no. DCEC1219/2014).</p>	Sub-contractor's employee	The worker had filed a civil claim to the court and the claim is HK\$265,200.	100%	<p>Outstanding</p> <p>The insurer has taken over the proceedings.</p>

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No.	Date of the accident/civil action	Project site	Nature of the accident/claim	Identity of the injured worker/capacity of the plaintiff(s)/applicant(s)	Compensation claimed/amount settled	Insurance coverage	Status as at the Latest Practicable Date
19.	18 Sep 2013	Wellington Street, Central	A third party claimed for damages for repair. Civil action (Action no. SCTC29482/2013).	Third party	HK\$10,000	N/A	Fully settled
20.	24 Sep 2013	Queen's Road Central and Stanley Street, Central	A worker alleged that his back was injured by a H-beam falling down.	Sub-contractor's employee	An employees' compensation of HK\$156,151.15 was made.	100%	Fully settled
21.	17 Feb 2014	Zones 3B and 2D for New World Center, Tsim Sha Tsui	A worker's left leg and hand were hit by an I-beam and died. <i>(Note 4)</i>	Sub-subcontractor's employee	<i>(Note 5)</i>	<i>(Note 5)</i>	<i>(Note 5)</i>
22.	15 Jul 2014	Lot 97, Tseung Kwan O	A worker alleged that that his right middle finger was injured.	Sub-contractor's employee	The amount of compensation is to be assessed by the Labour Department. <i>(Note 4)</i>	100%	Outstanding The amount of compensation is to be assessed by the Labour Department.
23.	15 Dec 2014	Heung Yip Road, Aberdeen	A worker alleged that his left ribs were injured by falling on the ground.	Sub-contractor's employee	The amount of compensation is to be assessed by the Labour Department. <i>(Note 4)</i>	100%	Outstanding The amount of compensation is to be assessed by the Labour Department.

Notes:

- (1) In this matter, the amount settled refers to the amount paid out by In Construction to the injured employee and such amount was subsequently reimbursed by the insurer.
- (2) According to the indorsement of claim attached to the writ of summons for this action, Free Form Construction Company Limited, being the plaintiff, claimed for balance of moneys for works done and materials provided relating to the sub-contracted work in the amount of approximately HK\$4.3 million, plus interest, costs of the action and further and/or other relief. The civil action was subsequently discontinued by the plaintiff, and the parties referred the dispute to arbitration and the dispute was finally settled in October 2014.
- (3) The plaintiff, who was the employee of our customer's contractor, fell into a manhole and sustained left leg injury. The plaintiff has subsequently made a civil claim against our customer, In Construction, our sub-contractor, the sub-sub-contractor and the direct employer of the plaintiff. As advised by In Construction's legal advisers to the civil action, as the matters currently stand, our Group's maximum financial exposure under the action is an award of damages for an amount of up to HK\$1,000,000, being the maximum amount the District Court may award under its jurisdiction, plus interest and costs. In the event that the action is transferred to the Court of First Instance, the maximum financial exposure would be an award of damages for the amount of HK\$1,133,484.20, which is the plaintiff's claimed amount, plus interest and costs.
- (4) Taking into account the nature of the claim, our Directors are of the view that the amount of the claim would not be material. In any event, the claim will be 100.0% covered by the insurance maintained by our Group.

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- (5) On 17 February 2014, a fatal accident happened in the site where In Construction was one of the sub-contractors of the project, for foundation work. In the accident, the left leg of an employee of In Construction's sub-subcontractor was hit by an I-beam when the raising and lowering of the I-beam were performed by another sub-contractor of the project. The injured worker was sent to the hospital immediately and was certified dead upon arrival. Criminal charges were laid against the responsible parties, In Construction was not one of the defendants of the case. As at the Latest Practicable Date, In Construction had not received any claim for compensation from representative of the deceased and accordingly no provision has been made in our accounts. Nonetheless, the employees' compensation insurance taken out by the main contractor in this project shall cover the liability, if any, of In Construction in relation to this fatal accident.

Taking into account the nature of the claims and coverage of insurance maintained by the Group or the relevant main contractor, our Directors are of the view that the claims and litigations as disclosed above do not have any material financial and operational impact on our Group.

(iii) Outstanding arbitration involved by our Group as at the Latest Practicable Date

As of the Latest Practicable Date, our Group, as the claimant, was involved in an arbitration concerning a contract dispute. Owing to the relevant terms of the contracts between us and the counter party in the arbitration proceedings, the Arbitration Ordinance (Chapter 609 of the Laws of Hong Kong) and the relevant arbitral rules, all information about the arbitration must remain confidential.

The Controlling Shareholders entered into the Deed of Indemnity in favour of our Group whereby the Controlling Shareholders agreed to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity, in respect of any claims, actions, demands, proceedings, judgments, 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 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. Further details of the Deed of Indemnity are set out in the paragraph headed "Statutory and General Information – D. Other Information – 1. Tax and other Indemnities" in Appendix V to this prospectus. Taking into account the nature and the amount contested in the arbitration proceedings, our Directors are of the view that the arbitration proceedings do not have any material financial and operational impact on our Group.

(iv) Potential claims and litigations against our Group as at the Latest Practicable Date

As at the Latest Practicable Date, save as disclosed above, no member of our Group was engaged in any litigation, claim or arbitration of material importance, nor, to the best of our knowledge, is any litigation, claim or arbitration of material importance pending or threatened against any member of our Group.

Ma Tau Wai Road Project

During the Track Record Period, works carried out for the Ma Tau Wai Road Project commenced in August 2012 and were scheduled to be completed in July 2013 according to contract. Nonetheless, abnormal ground settlement occurred adjacent to the site (the "Incident") during the early stages of works, resulting in a suspension of our works for

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approximately five months from February to June 2013. Remedial works amounting to approximately HK\$3.4 million had been performed and we were granted consent by the Buildings Department to resume work in June 2013. Our works for this project was completed in February 2015.

As advised by the Legal Counsel, with regard to the owners of the adjoining properties, our Group will only incur liability if we have breached the duty to take reasonable care in our design and execution of our works carried out for the Ma Tau Wai Road Project. As at the Latest Practicable Date, there is no evidence of this. Further, no physical damage has been occasioned to our customer itself and the only potential loss it has suffered from the Incident arises from the delay to the works. The Legal Counsel is of the view that we will only be liable to our customer if the Incident was caused by our negligence or lack of care. As at the Latest Practicable Date, there is no evidence of this. As of the Latest Practicable Date, contractual payments have been certified and paid to us by our customer without deduction of liquidated damages. As further advised by the Legal Counsel, the likelihood of our customer and/or the owners/occupiers (collectively the “Owners”) of the adjoining properties making successful claims against us and/or our Directors appears very remote. This is particularly the case with regard to the adjoining owners since nearly two years has lapsed since the Incident and no claims have been made.

On the basis of the advice from the Legal Counsel, our Directors are of the view that the likelihood of our customer and/or the Owners of the adjoining properties making successful claims against us is remote and accordingly no provision for potential liquidated damages has been made in our Group’s financial statements.

Hing Hon Road Project

During the Track Record Period, works carried out for our project at Hing Hon Road (the “Site”) commenced in March 2014 and was originally expected to be completed in November 2014 according to the letter of award. On 4 September 2014, a building adjacent (the “Building”) to the Site tilted towards the Site. Foundation works at the Site had been suspended since 5 September 2014 and our Group has informed the Buildings Department, authorised person, registered structural engineer and registered geotechnical engineer of the project in respect of this incident in accordance with the monitoring system set out in the construction plan. Additional building tilting check points are installed onto the Building to monitor the tilting and emergency ground stabilisation grouting and raked shoring works are carried out on the Site.

The additional costs to be incurred in performing the works, including the remedial works, is estimated to be approximately HK\$4.3 million. Having taken into account the progress of the remedial work, the extent of tilting of the Building and the circumstances leading to which, the communication with the Buildings Department, authorised person, registered structural engineer and registered geotechnical engineer of the project and our customer, our Directors, leveraging in their experience in the industry, are of the view that the project’s completion will be delayed by not more than sixteen months.

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According to advice from the Legal Counsel, as a matter of law, our Group does owe the Owners of the Building a duty to take reasonable care in the carrying out of the foundation works so as to not cause damage to the Building. However, there is no current evidence of any breach of such duty. The engineer engaged by our customer has instructed, and our Group is in the course of carrying out, certain measures to arrest the ‘tilting’. The Legal Counsel is of the view that our Group is not responsible for the design of the permanent works in the project and there is no obligation on the part of our Group to carry out other measures in connection with the Building, unless further instructed to do so by the engineer. Therefore, the liability of our Group for arresting further tilting of the Building, if any, is limited only to any further measures instructed by the engineer. Otherwise, our Group’s liability for further tilting or collapse of the building will only arise if breach of duty on the part of our Group is proven, in which event we will be liable for damages. Further, as advised by the Legal Counsel, given that (i) the foundation works are being executed according to the design of the engineer; (ii) there is no current evidence of any breach of duty on the part of our Group; and (iii) no damage to the Building has yet been established, the Legal Counsel is of the view that the prospect of a successful claim against our Group taken by the Owners appears limited both in terms of liability and quantum. The Legal Counsel is also of the view that both our customer and our Group are likely to suffer losses as a consequence of such delay and the sustainability of any claims for liquidated damages will necessarily hinge on the cause of damage (if any) to the Building. However, based on the advice from the Legal Counsel, there is no current evidence that indicates any breach of the contract on the part of our Group and the Legal Counsel is of the view that the prospect of a successful claim from the Owners or our customer against us is limited. Our Directors have endorsed the advice of the Legal Counsel and no provision for potential liquidated damages has been made in our Group’s financial statements accordingly.

As of the Latest Practicable Date, our Group had not received any claim for damages from any third party arising from or in connection with the Ma Tau Wai Road Project and Hing Hon Road Project nor any claim for liquidated damages from our customers in these projects. Notwithstanding that in both projects there is no limitation period set out under the respective contracts entered into between our Group and our customers which bars the time period upon expiration of which our customers cannot institute claims against our Group, the Limitation Ordinance (Chapter 347 of the Laws of Hong Kong) provides that legal actions founded on a simple contract or tort shall not be brought after six years from the date on which the cause of action accrued save for claims for specific performance of a contract or for an injunction or for other equitable relief and action for damages for negligence where in the latter case, the period is either (i) six years after the cause of action accrued; or (ii) three years from the date of knowledge required for bringing an action for damages and a right to bring such an action, whichever is later. The incident in respect of the Ma Tau Wai Road Project first occurred in January 2013 so that the limitation period (both in contract and tort) will expire in or about January 2019. The incident in respect of the Hing Hong Road Project was first notified in September 2014 and so the limitation period (both in contract and tort) will expire in or about September 2020. Further, the additional cost for undertaking the remedial works in the Ma Tau Wai Road Project and the Hing Hon Road Project represents the costs of additional works which were required to arrest further settlement of land or the tilting of the building adjacent to the project site (as the case may be) in order to allow our Group to continue with our foundation works in the relevant project. Notwithstanding that the costs of such remedial works are not covered by the

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contractor's all risks insurance taken out by our Group or our customer, as the case may be, or other insurance taken out by our Group, subject to consent of our relevant customers, such costs may be recovered by way of variation orders and thus our Group may be able to recover from our customers part, if not all, of the costs incurred at a later stage.

COMPETITION

Comparing to other areas of the construction industry, our Directors believe that competition in the foundation industry is intense with a relatively large market share controlled by a small number of players. According to the Ipsos Report, the foundation contractors contributed approximately HK\$18.7 billion turnover to the foundation industry in Hong Kong in 2013, among which the top five foundation contractors in Hong Kong accounted for approximately 40.8% of the total market share of the foundation industry.

Entry barriers

As set out in the section headed "Regulatory Overview – Requirements for contractor registrations/listing in Hong Kong" in this prospectus, contractors undertaking private sector foundation works are required to be registered with the Buildings Department as registered specialist contractors under the relevant categories. The Buildings Department lays down specific requirements on the qualification and experience of key personnel (including technical director and authorised signatory) of a registered specialist contractor. As for contractors who wish to undertake public sector foundation works, they are required to be registered with the Development Bureau and there is also minimum capital requirements for such contractors. For instance, the minimum working capital for land piling (Group II) under Works Branch of the Development Bureau is HK\$8.6 million. Different limits on the contract values of project that a contractor is allowed to undertake for different category of licences with the Works Branch of the Development Bureau also apply.

According to the Ipsos Report, other than the capital requirements laid down by the relevant governmental departments, customers normally assess the suitability of tendering foundation contractors based on their job reference of previous projects. Practical experience in the foundation industry can only be gained upon successful completion of projects. Experienced contractors therefore have a higher chance of winning the contracts than new entrants who may be considered lacking in experience and thus unfit for the foundation projects.

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The following table sets out the relevant registrations with the Buildings Department in Hong Kong which our Group, through In Construction, is approved for and the number of approved contractors in Hong Kong in each of these categories as at the Latest Practicable Date:

Registrations/Listing	Number of approved contractors
Site formation	176
Foundation	137
Ground investigation field works	42
Demolition	101
General building	678

In light of the relatively large number of industry players, our Directors consider that there are a number of factors that determine the competitiveness of a foundation contractor, which include relationship with customers, reputation and track record, flexibility in following project timeline as well as pricing. Details of these factors are set out in the paragraph headed “Industry Overview – Competitive Landscape of the Foundation Industry in Hong Kong” in this prospectus. According to the Ipsos Report, our Group contributed about HK\$381.8 million turnover (during the period April 2013 to March 2014), which is about 2.0% of the market share ^(Note) for the year ended 31 March 2014 and ranked the ninth in the foundation industry in Hong Kong. With our reputation, qualifications and extensive experience in the industry, our Directors believe that our Group is in a competitive position in the Hong Kong foundation industry.

Note: The revenue figure is based on a calendar year (i.e. 1 January to 31 December), which is different from our Group’s financial year (i.e. 1 April to 31 March).

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

For the purpose of the Listing Rules, Mr. Lau, Mr. Cheng, Ms. Kwan, In Play, Wealth Celebration and Kinetic Kingdom are our Controlling Shareholders. Other than disclosed under the paragraph headed “Competing Interest of our Controlling Shareholder” below, each of our Controlling Shareholders confirms that he/she/it does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with our business.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS AND THEIR RESPECTIVE ASSOCIATES

In the opinion of our Directors, our Group is capable of carrying on our business independently of, and does not place undue reliance on, our Controlling Shareholders, their respective associates or any other parties, taking into account the following factors:

- (i) *Financial independence:* Our Group has an independent financial system and makes financial decisions according to our Group’s own business need. We have sufficient capital to operate our business independently, and have adequate internal resources and a strong credit profile to support our daily operations. During the Track Record Period and up to the Latest Practicable Date, our Group relied principally on cash generated from operations to carry on its business and this is expected to continue after the Listing.

During the Track Record Period, there were certain amounts due to the Controlling Shareholders, details of which are set out in notes 16, 20(b) and 23 to the Accountant’s Report in Appendix I. On 20 March 2015, all amounts due to Mr. Lau, Mr. Cheng and Ms. Kwan as at 20 March 2015 were capitalised by allotting and issuing an aggregate of 638,000,000 Shares to In Play, Wealth Celebration and Kinetic Kingdom at the direction of Mr. Lau, Mr. Cheng and Ms. Kwan, respectively and accordingly all amounts due to the Controlling Shareholders had been fully settled. For further details, please refer to “History, Reorganisation and Corporate Structure – Reorganisation” in this prospectus.

Certain pledge of properties and personal guarantees provided by our Controlling Shareholders in relation to the bank facilities granted to the Group were released in October 2014. Our Group has further obtained consent from the banks to release the remaining guarantees provided by our Controlling Shareholders and pledge over properties owned by our Controlling Shareholders in respect of our bank borrowings which will be replaced by the corporate guarantee provided by our Company upon Listing.

Despite our Group did not undertake any public sector project during the Track Record Period, our Directors are of the view that our registration on the List of Approved Contractors for Public Works under the Works Branch of the Development Bureau will offer our Group the flexibility to tender for public sector foundation works in the future. Our Group is required to fulfill certain financial criteria for maintaining such registration and shareholders’ loans in the

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

amount of HK\$9.0 million was drawn at the request of the Works Branch of the Development Bureau in order to make up the then minimum working capital. In such connection, a loan of HK\$4.5 million from each of Mr. Lau and Mr. Cheng, amounting to a total sum of HK\$9.0 million was drawn. Such loans are unsecured, interest-free and with no fixed repayment terms. Details of the shareholders' loans are also set out in the paragraph headed "Connected Transactions – Financial assistance received by our Group from connected persons".

Notwithstanding the shareholders' loans as mentioned above, during the Track Record Period our Group had supported our day-to-day operations with revenue generated from our operations, our banking facilities and finance leases. As at the Latest Practicable Date, our Group had existing banking facilities in the amount of HK\$150.0 million, of which approximately HK\$110.0 million remain unutilised. Accordingly, our Directors are of the view that despite of the shareholders' loan of HK\$9 million, our Group is able to operate financially independently of our Controlling Shareholders after Listing.

- (ii) *Operational independence:* We have an established operational procedure with specific areas of responsibilities clearly defined. Our Group has not shared its operational resources, such as administration, accounting, human resources functions with our Controlling Shareholders and/or their respective associates. Although our office premise is leased to us by In Holdings Limited ("In Holdings"), which is a company owned by Mr. Lau and Ms. Kwan as to 99.99% and 0.01%, respectively, such lease has been entered into on normal commercial terms and in the ordinary course of business of our Company. Details of the lease is set out in the section headed "Connected Transactions" in this prospectus. No other facility is provided by our Controlling Shareholders and/or their respective associates to our Group. Further, we hold all relevant registrations necessary to carry on our business and have an independent and stable team of employees to carry out our day-to-day operation. We also engage independent contractors capable of carrying out piling, site formation, ground investigation and other field works, and our Group is able to operate independently from our Controlling Shareholders after the Listing.
- (iii) *Independence of management:* Our Board comprises three executive Directors and three independent non-executive Directors. Mr. Lau, Mr. Cheng and Ms. Kwan are executive Directors.

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 associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Furthermore, our Board's main function includes the approval of the overall business plans and strategies of our Group, monitoring the implementation of these policies and strategies and the management of our Company. Our Board acts collectively by majority decisions in accordance with the Articles and applicable laws, and no single Director is supposed to have any decision-making power unless otherwise authorised by our Board.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that our Group is capable of managing its business independently from our Controlling Shareholders and their respective associates after the Listing. In addition, the business of our Group had been operated under substantially the same management throughout the Track Record Period and up to the Latest Practicable Date.

- (iv) *Independence of major customers and suppliers:* Our Directors confirm that none of our Controlling Shareholders, nor our Directors and their respective associates, had any relationship with the five largest customers and suppliers of our Group (other than maintaining the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period and up to the Latest Practicable Date.

Corporate Governance Measures

Our Controlling Shareholders and their respective close associates undertake not to compete with us as provided in the Deed of Non-competition and the Longo Deed of Non-competition. Each of our Controlling Shareholders has confirmed that he/she/it fully comprehends his/her/its obligations to act in our Shareholders' best interests as a whole. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

- (a) as part of our preparation for the Listing, we have adopted our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provide that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates have a material interest nor shall such Director be counted in the quorum present at the meeting;
- (b) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself/herself from the board meetings on matters in which such Director or his/her associates has/have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (c) we are committed that our Board should include a balanced composition of executive Directors and independent non-executive Directors. Our independent non-executive Directors represent half of the composition of our Board and they are professionals in different industries. We believe that the presence of our independent non-executive Directors provides a balance of view and independent judgment in the decision making process of our Board and that they will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in the section headed “Directors and Senior Management – Directors – Independent non-executive Directors” in this prospectus; and
- (d) we have appointed Oriental Patron as our 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 corporate governance.

COMPETING INTEREST OF OUR CONTROLLING SHAREHOLDER

Rule 8.10 of the Listing Rules

Save for Mr. Cheng’s interest in Longo as more detailed below, our Controlling Shareholders and our Directors do not have any interest in a business apart from our Group’s business which competes or is likely to compete, directly or indirectly, with our Group’s business, and would require disclosure under Rule 8.10 of the Listing Rules.

Background of Longo

Longo is a sole proprietorship owned by Mr. Cheng and is principally engaged in the provision of foundation, site formation and general building works in Hong Kong (the “Excluded Business”). As at the Latest Practicable Date, Longo held the following major registrations in respect of its business:

Relevant Hong Kong Government department	Description	Category	Qualifications	Expiry date
Buildings Department	Private sector works	Foundation Works	Registered Specialist Contractors	23 February 2018
Buildings Department	Private sector works	Site Formation Works	Registered Specialist Contractors	11 February 2018
Buildings Department	Private sector works	General Building Works	Registered General Building Contractors	16 December 2017

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, Longo had three ongoing projects. The following table sets forth certain information in respect of the three ongoing projects of Longo:

Project Location	Type of work	Contract sum <i>HK\$'000</i>
31-31A Granville Road, Tsim Sha Tsui	Superstructure	44,780
27 Barker Road, Hong Kong	Slope Work	2,501
11-21 Tai Nam Street, Kowloon	Foundation	55,800

Since Longo is a sole proprietorship, according to the Practice Note for Registered Contractors issued by the Buildings Department, Mr. Cheng, being its sole proprietor, is the only person eligible to act as the authorised signatory of Longo. The Legal Counsel has also advised that the registration with the Buildings Department is very specific to the registered specialist contractor, and if a third party purchaser acquires the entire business of a registered specialist contractor, the registration does not transfer to the third party purchaser. The Excluded Business was therefore not injected into our Group since Longo's registration with the Buildings Department is not capable of being transferred, even upon the sale of the entire business of Longo to our Group.

Longo is engaged in the provision of foundation, site formation and general building works in Hong Kong and despite our Group is also a registered specialist contractor under the Buildings Department in each of the three categories in which Longo is registered under, there had been no overlap in the customers of our Group and Longo during the Track Record Period. Mr. Cheng confirms that Longo has no substantial assets and its business has mainly been obtained through referrals. For the three years ended 31 March 2012, 2013 and 2014, the net profits of Longo were less than HK\$1,000,000. Longo was established in 1990 and all along Mr. Cheng has been able to manage the business of Longo alongside with his role in our Group and without the need to devoting substantial time since a majority of works for the projects undertaken by Longo were performed by its sub-contractors. Further, in the event that our Group's registrations are suspended, or otherwise terminated, we may engage Longo as the registered specialist contractor to perform our contracts undertaken as a contingency measure. Since engagement of Longo as our sub-contractor will constitute a connected transaction of our Company upon Listing, our Company will comply with the relevant reporting, announcement and shareholders approval requirements under Chapter 14A of the Listing Rules as appropriate.

Therefore while Mr. Cheng has no intention for Longo to actively pursue projects, it is his intention to maintain the registrations of Longo with the Buildings Department. In this regards, the Buildings Department requires that a job reference on a minimum of one relevant building project is required for each application for renewal of registration of contractor. Therefore, it is intended Longo will undertake projects in order to satisfy the job reference requirements of the Buildings Department for the purpose of renewal of its registrations. The Group has not shared any of its operational resources such as administration, accounting and human resources functions with Longo. Further, Mr. Cheng has not devoted and does not expect to devote substantial time in the management of the

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Excluded Business going forward save for attending to the on-going projects, the bulk work of which have been sub-contracted to third parties. Mr. Cheng expects to spend majority of his working time in the operations of our Group after Listing.

In the event that Mr. Cheng is required to absent himself from any board meeting on any matter which may give rise to a potential conflict of interest with the Excluded Business, our remaining Directors will have sufficient expertise and experience to fully consider any such matter. Our Directors, including the independent non-executive Directors, having considered (i) the nature of business and the operations of Longo; (ii) the scope of the non-competition undertakings set out under the Longo Deed of Non-competition, the details of which are set out under the paragraph headed “Non-Competition Undertaking – Longo Deed of Non-competition” below; and (iii) the corporate governance measures of our Group as set out under the paragraph headed “Corporate Governance Measures” in this section, are of the view that our Board is able to manage our business on a full time basis independently from the Excluded Business for reasons set out above.

NON-COMPETITION UNDERTAKING

Deed of Non-competition

In order to avoid any possible future competition between our Group and each of Mr. Lau, Ms. Kwan, In Play and Kinetic Kingdom (the “Covenantors”), the Covenantors have executed the Deed of Non-competition on 26 March 2015 in favour of our Company (for itself and as trustee for its subsidiaries). Pursuant to the Deed of Non-competition, during the period that the Deed of Non-competition remains effective, each of the Covenantors irrevocably and unconditionally has undertaken with us (for itself and as trustee for its subsidiaries) that he/she/it shall not, and shall procure his/her/its associates (other than members of our Group) not to, directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of any member of our Group.

Where business opportunities which may compete with the business of our Group arise, the respective Covenantor(s) shall, and shall procure their respective associates to, give us notice in writing and we shall have a right of first refusal to take up such business opportunities. We shall only exercise the right of first refusal upon the approval of the majority of the independent non-executive Directors (who do not have any interest in such proposed transactions). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of our Board where there is a conflict of interests or potential conflict of interests including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal.

Our Board will delegate the independent non-executive Directors with the authority to review on an annual basis the above undertakings from the Covenantors. The Covenantors also undertake to provide all information necessary for the enforcement of the Deed of Non-competition as requested by the independent non-executive Directors from time to time.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

The undertakings mentioned above are conditional upon the fulfilment of the conditions stated in the paragraph headed “Conditions of the Public Offer” under the section headed “Structure and Conditions of the Share Offer” in this prospectus. If any of such conditions is not fulfilled on or before the date falling 30 days after the date of this prospectus, the Deed of Non-competition shall become null and void and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed of Non-competition.

The Deed of Non-competition shall terminate on the earliest of the date on which (i) the Covenantors, together with their associates, shall cease to hold in aggregate 30.0% or more of the entire issued share capital of our Company or otherwise cease to be a Controlling Shareholder; or (ii) the Shares shall cease to be listed and traded on the Stock Exchange (except for temporary suspension of trading of the Shares on the Stock Exchange due to any reason).

Longo Deed of Non-competition

In order to avoid any possible future competition between our Group and Longo, Mr. Cheng, Longo, and Wealth Celebration have executed the Longo Deed of Non-competition, pursuant to which, during the period that the Longo Deed of Non-competition remains effective, each of Longo, Mr. Cheng and Wealth Celebration irrevocably and unconditionally, subject to the exceptions stated below, undertakes with our Company (for itself and as trustee for its subsidiaries) that it/he shall not, and shall procure its/his associates (other than members of our Group) not to, directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in (i) any business which is the same as, or similar to the business of our Group in competition with or likely to be in competition with the existing business activity of or business contemplated to be carried on by any member of our Group; and/or (ii) any potential business in which an invitation to tender for such business has been received by our Group.

Where business opportunities which may compete with or similar to the business of our Group arise, Longo, Mr. Cheng and Wealth Celebration shall, and shall procure their respective associates to, immediately give us notice in writing and we shall have a right of first refusal to take up such business opportunities. We shall only exercise the right of first refusal upon the approval of the majority of the independent non-executive Directors (who do not have any interest in such proposed transactions). Mr. Cheng and other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of our Board where there is a conflict of interests or potential conflict of interests including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal.

Without prejudice to the above, Longo may undertake project(s) which may otherwise compete, directly or indirectly, with that of the Group, provided that the following conditions are satisfied:

- (i) The project has been first offered to our Group, and our Group exercised right of refusal not to take up the job.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (ii) the contract sum of any one project undertaken by Longo shall not exceed HK\$10,000,000;
- (iii) the aggregate contract sum of the project(s) awarded by or otherwise entered into with any one customer shall not exceed HK\$10,000,000 in any three-year period;
- (iv) Longo shall not undertake projects awarded by or otherwise entered into with any past or present customer(s) of our Group; and
- (v) Longo shall not undertake any project(s) for which our Group has previously tendered;

Mr. Cheng also undertakes that in the event:

- (I) Mr. Lau ceases to be the authorised signatory and/or technical director for In Construction due to unexpected events such as sudden illness, accident or resignation without adequate prior notice; and
- (II) at the written request of the Company;

he shall immediately apply to the Buildings Department to become the authorised signatory and/ or technical director for In Construction, as the case may be, and should such application be accepted by the Buildings Department, he shall cease to be the authorised signatory for Longo. In relation to condition (ii) as set out above, our Directors are satisfied that the contract sum for any one project of HK\$10,000,000 is an appropriate line of delineation after considering that (a) during the Track Record Period, our Group had only been awarded one project with a contract sum lower than HK\$10,000,000; and (b) the contract sum of each of our contracts on hand as at the Latest Practicable Date amounted to at least HK\$20,000,000, which is in line with our Group's business strategy to capture projects of more sizeable scale going forward.

Our Board will delegate our independent non-executive Directors with the authority to review on an annual basis the above undertakings from Mr. Cheng, Wealth Celebration and Longo, in particular, the exercise of the right of first refusal, and to ensure that the projects undertaken by Longo comply with the conditions as set out in the Longo Deed of Non-competition. Our Group will disclose decisions on matters reviewed by our independent non-executive Directors, including reasons why business opportunities referred to it (if any) were not taken up, in the Company's annual reports and/or announcements. Mr. Cheng also undertakes to provide all information necessary for the enforcement of the Longo Deed of Non-competition as requested by the independent non-executive Directors from time to time.

The undertakings mentioned above are conditional upon the fulfilment of the conditions stated in the paragraph headed "Conditions of the Public Offer" under the section headed "Structure and Conditions of the Share Offer" in this prospectus. If any of such conditions is not fulfilled on or before the date falling 30 days after the date of this prospectus, the Longo Deed of Non-competition shall become null and void and cease to have any effect whatsoever and no party shall have any claim against the other under the Longo Deed of Non-competition.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

The Longo Deed of Non-competition shall terminate on the earliest of the date on which (i) Mr. Cheng and Wealth Celebration, together with his associates, shall cease to hold in aggregate 30.0% or more of the entire issued share capital of our Company or otherwise cease to be a Controlling Shareholder; or (ii) the Shares shall cease to be listed and traded on the Stock Exchange (except for temporary suspension of trading of the Shares on the Stock Exchange due to any reason).

CONNECTED TRANSACTIONS

During the Track Record Period, our Group entered into a number of related party transactions, details of which are set out in Note 23 to the Accountants' Report of our Company set out in Appendix I. Our Directors have confirmed that these related party transactions were conducted in the ordinary course of business and on normal commercial terms. Save as described below, these related party transactions were discontinued before the Latest Practicable Date.

Following the Listing, the following transactions will continue between our Group and the relevant connected person, which will constitute continuing connected transactions under the Listing Rules.

EXEMPTED CONTINUING CONNECTED TRANSACTIONS

Lease Agreement

During the Track Record Period, In Construction and In Holdings entered into a property lease agreement (the "Lease Agreement"), details of which are set out below:

Date of agreement	5 June 2014
Parties	In Holdings as landlord ("Landlord") and In Construction as tenant ("Tenant")
Premises	26th Floor, Park Avenue Tower, 5 Moreton Terrace, Causeway Bay, Hong Kong with a gross floor area of approximately 2,839 sq. ft.
Term	Three years commencing on 2 June 2014 and expiring on 1 June 2017 (both days inclusive)
Rental and payment terms	HK\$67,000 per month payable in advance on the first day of each and every calendar month during the Term
Rental deposit	None
Use	Office
Termination	The Tenant shall be entitled to terminate the Lease Agreement by serving not less than one month's written notice to the Landlord or by payment of one month's rent in lieu of notice to the Landlord provided that the said written notice shall not be served before the expiration of the first six months of the Term

CONNECTED TRANSACTIONS

Miscellaneous terms	The rental is exclusive of building management fee, Government rent, Government rates, water, electricity, gas, telephone and other similar charges payable in respect of the Premises
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As In Holdings is owned by Mr. Lau and Ms. Kwan, each a Controlling Shareholder and an executive Director, as to 99.99% and 0.01%, respectively, In Holdings is a connected person of our Group under the Listing Rules. The transaction contemplated under the Lease Agreement will constitute continuing connected transaction for us under Chapter 14A of the Listing Rules upon Listing.

Since each of the applicable percentage ratios (other than the profits ratio) for the transaction is less than 5.0% with annual total consideration of less than HK\$3,000,000, the transaction constitutes de minimis continuing connected transaction under Rule 14A.76(1)(c) of the Listing Rules, which is fully exempt from shareholders' approval, annual review and all disclosure requirements applicable under Chapter 14A of the Listing Rules.

With reference to comparable evidences as available in the relevant market, the rental in respect of the Premises is comparable to the market level of similar properties in the proximity and is fair and reasonable. Grant Sherman Appraisal Limited, an independent property valuer, has confirmed that the rental under the Lease Agreement is fair and reasonable, and comparable to the prevailing market rents for similar premises in the vicinity.

Our Directors (including our independent non-executive Directors), after taking into account of the view of the independent property valuer that the rental under the Lease Agreement is fair and reasonable, and comparable to the prevailing market rents for similar premises in the vicinity, confirm that the transactions contemplated under the Lease Agreement are in the ordinary and usual course of business of our Group, on normal commercial terms, fair and reasonable and in the interests of our Company and Shareholders as a whole.

Financial assistance received by our Group from connected persons

Our Group maintained a working capital of HK\$9.0 million for the Works Branch of the Development Bureau by way of shareholders' loans. In such connection, a loan of HK\$4.5 million from each of Mr. Lau and Mr. Cheng, amounting to a total sum of HK\$9.0 million were drawn on 22 December 2009. Such loans are unsecured, interest-free and with no fixed repayment terms. The release of HK\$9.0 million working capital is subject to the consent of the Works Branch of the Development Bureau being obtained upon completion of the relevant construction projects carried out by our Group. We are in the course of seeking consent from the Works Branch of the Development Bureau in relation to the repayment of such loans by our Group such that our Group will maintain such working capital without the assistance of shareholders' loan. As at the Latest Practicable Date, the total amount of such loans due to Mr. Lau and Mr Cheng by our Group was HK\$9.0 million.

CONNECTED TRANSACTIONS

Mr. Lau and Mr. Cheng are each a Controlling Shareholder and an executive Director of our Company. Therefore, Mr. Lau and Mr. Cheng are our connected persons under the Listing Rules. The transactions contemplated under the financial assistance received by our Group from Mr. Lau and Mr. Cheng will constitute continuing connected transactions for us under Chapter 14A of the Listing Rules upon Listing. Since the financial assistance received by our Group from Mr. Lau and Mr. Cheng is (i) conducted on normal commercial terms or better; and (ii) not secured by the assets of our Group, the transactions constitute continuing connected transactions under Rule 14A.90 of the Listing Rules, which are fully exempted from shareholders' approval, annual review and all disclosure requirements applicable under Chapter 14A of the Listing Rules.

Our Directors (including our independent non-executive Directors) have confirmed that the transactions contemplated under the financial assistance received by our Group from Mr. Lau and Mr. Cheng are in the ordinary and usual course of business of our Group, on normal commercial terms, fair and reasonable and in the interests of our Company and Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS AND SENIOR MANAGEMENT

The Board consists of six Directors, among which there are three executive Directors and three independent non-executive Directors. Our Directors and senior management are involved in the day-to-day management of our business. The following table sets forth certain information in respect of our Directors:

Name	Age	Time of joining our Group	Date of appointment as Director	Position	Brief description of roles and responsibilities
Mr. Lau	60	December 1996	29 September 2014 <i>(Note)</i>	Chairman, Chief Executive Officer, Executive Director and General Manager	Responsible for formulating corporative and business strategies and making major operational decisions
Mr. Cheng	60	December 1996	29 September 2014 <i>(Note)</i>	Executive Director and Director – Construction	Responsible for overseeing the tender process; member of the Nomination Committee
Ms. Kwan	43	April 1997	29 September 2014 <i>(Note)</i>	Executive Director and Director – Operations	Responsible for overseeing the daily operation of our Group; member of the Remuneration Committee
Mr. Leung Chi Kin	61	March 2015	26 March 2015	Independent non-executive Director	Acting as an independent Director, the chairman of the Audit Committee and member of the Remuneration Committee
Mr. Lam Chi Hung Louis	67	March 2015	26 March 2015	Independent non-executive Director	Acting as an independent Director, the chairman of the Nomination Committee and member of the Audit Committee
Mr. Yau Chi Man Norman (also known as Iao Chi Meng)	52	March 2015	26 March 2015	Independent non-executive Director	Acting as an independent Director, the chairman of the Remuneration Committee and member of the Audit Committee and the Nomination Committee

Note: Each of Mr. Lau, Mr. Cheng and Ms. Kwan was re-designated as executive Director on 26 March 2015

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Lau (劉伯文), aged 60, is our Chairman, Chief Executive Officer, executive Director and General Manager of our Group. Mr. Lau, together with Mr. Cheng, are the founders of our Group. Mr. Lau is responsible for overall strategic development, project management and client management of the Group. Mr. Lau is also a director of In Construction since 20 December 1996. Mr. Lau obtained a Bachelor of Science degree in Civil Engineering from the University of Leeds in July 1979. Mr. Lau has nearly 24 years of extensive experience in the construction industry in Hong Kong since 1991. Prior to founding In Construction in December 1996, Mr. Lau was the projects manager and contracts manager of Fong On Construction & Engineering Co Ltd between January 1991 till December 1994 and January 1995 till December 1996, respectively, mainly responsible for H-piling foundations, supply and installations projects as well as a construction and redevelopment project. Mr. Lau has been a member of the Hong Kong Institution of Engineers since July 1992, a chartered engineer of the Institution of Civil Engineers, London, England since November 1984, a member of the Institution of Civil Engineers since December 1983, a member of the Institute of Highways and Transportation, London, England since March 1983 and a registered engineer of Engineers Registration Board. Mr. Lau is the spouse of Ms. Kwan.

Mr. Cheng (鄭榮昌), aged 60, is our executive Director and the Director – Construction of our Group. Mr. Cheng is a founder of our Group and is responsible for overseeing the tender process including foundation design and project budget, as well as quality control of our projects. Mr. Cheng has acted as a director of In Construction since 20 December 1996. Mr. Cheng obtained a Bachelor of Science degree in Engineering from the University of Hong Kong in October 1977. In the course of his career, Mr. Cheng has accumulated more than 20 years of comprehensive experience in the construction industry. Between May 1989 and August 1992, Mr. Cheng worked in China Overseas Foundation Engineering Limited as a director and deputy general manager.

Ms. Kwan (關潔心), aged 43, is our executive Director and the Director – Operations of the Group. Ms. Kwan is responsible for project management and coordination, as well as daily operations of the Group. Ms. Kwan has been appointed a director of In Construction since 1 December 2014. Ms. Kwan obtained a Bachelor of Business Administration degree in Management from the Hong Kong University of Science and Technology in November 1994. Ms. Kwan has accumulated about 21 years of experience in the construction industry. She joined In Construction as an assistant manager in April 1997. Prior to joining our Group, Ms. Kwan worked at Sam Woo Engineering Equipment Limited from February 1995 to April 1997. During her employment there, she has worked as an assistant manager. Ms. Kwan is the spouse of Mr. Lau.

Independent non-executive Directors

Mr. Leung Chi Kin (梁梓堅), aged 61, is an independent non-executive Director appointed by our Company on 26 March 2015. Mr. Leung obtained a high diploma in accountancy from the Hong Kong Polytechnic University (formerly known as the Hong Kong Polytechnic) in November 1976. In the course of his career, Mr. Leung has accumulated over 38 years of working experience in auditing, accounting, taxation and

DIRECTORS AND SENIOR MANAGEMENT

financial management. Mr. Leung is currently a practicing Certified Public Accountant and managing director of Chang Leung Hui & Li C.P.A. Limited. He is also a Certified Tax Adviser of the Taxation Institute of Hong Kong for the year 2014. Mr. Leung is a fellow member of the Association of Chartered Certified Accountants, a member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Chartered Secretaries. Between June 1976 and November 1980, Mr. Leung worked in Lowe Bingham & Matthews Price Waterhouse & Co., and then started his own accounting practice in January 1981 and has been in public practice up to now.

Mr. Lam Chi Hung Louis (林志雄), aged 67, is an independent non-executive Director appointed by our Company on 26 March 2015. Mr. Lam obtained a Bachelor of Science degree in November 1969, after that he obtained a degree of Doctor of Philosophy from the University of Hong Kong in November 1972. Mr. Lam has over 15 years of experience in engineering. Mr. Lam is currently the managing director and founder of LR Construction Technologies Ltd. since August 2012, the managing director and co-founder of LR Construction and Consultancy Ltd. since April 2012, and the managing director and co-founder of Alternative Turbine Technologies Ltd. since June 2009.

From November 1996 to August 2004, Mr. Lam was a principal lecturer of the Vocational Training Council. From 1976 to 1977, and from 1986 to 1987, Mr. Lam was an appointed lecturer in the Department of Civil and Structural Engineering of the University of Hong Kong. Mr. Lam has been a member of the Hong Kong Institute of Engineers since November 1975 and is also a registered professional engineer of Engineers Registration Board.

Mr. Yau Chi Man Norman (also known as Iao Chi Meng) (丘子敏), aged 52, is an independent non-executive Director appointed by our Company on 26 March 2015. Mr. Yau is qualified as a Barrister-at-law in Hong Kong since March 2011. Mr. Yau obtained a Bachelor of Science degree in Electronic and Electrical Engineering from Loughborough University of Technology, England in July 1987. He subsequently obtained a Juris Doctor in Laws and Postgraduate Certificate in Laws from City University of Hong Kong in November 2008 and July 2010, respectively. Mr. Yau has over 19 years of experience in electric power engineering. Mr. Yau worked in CLP Power Hong Kong Limited between January 1991 and April 2010, during which Mr. Yau undertook various positions, with his last position being a senior project engineer at CLP Engineering Limited, a subsidiary of CLP Power Hong Kong Limited, in April 2010.

Mr. Yau has been a member of the Institution of Engineering and Technology, England (formerly known as the Institution of Electrical Engineers, England) and a chartered electrical engineer of the Engineering Council, England since 2000. He has been a member of the Hong Kong Institution of Engineers since 2001 and a member of the Chartered Institution of Building Services Engineers, England since 2004. Mr. Yau has also been a fellow of the Hong Kong Institute of Arbitrators since 2011.

Save as disclosed above, none of our Directors are related to other Directors or senior management members of our Company. Further, none of our Directors has been a director of any public company, the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this prospectus.

DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no information relating to our Directors that is required to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules or any other matters concerning any Director that needs to be brought to the attention of the Shareholders.

Senior Management

Financial Controller and Company Secretary

Mr. Chow Chun To (鄒振濤), aged 31, joined us as the Financial Controller of the Group since 11 September 2014. Mr. Chow was appointed as our company secretary on 28 October 2014. Mr. Chow is responsible for the accounting and financial functions, internal control as well as the company secretarial affairs of the Group. Mr. Chow obtained a Bachelor of Arts degree in Accountancy from the Hong Kong Polytechnic University in December 2006. Mr. Chow has over seven years of accounting and audit experience and has been a member of the Hong Kong Institute of Certified Public Accountants since 8 July 2013. Prior to joining our Group, he was the financial controller of JC Group Holdings Limited (stock code: 8326) from May 2013 to September 2014. Between May 2011 and May 2013, Mr. Chow was the financial manager of Chiho-Tiande (HK) Limited, a wholly-owned subsidiary of Chiho-Tiande Group Limited (stock code: 976). From February 2008 to April 2011, Mr. Chow was employed at Deloitte Touche Tohmatsu with his last position being senior auditor.

Roles of Chairman and Chief Executive Officer performed by the same individual

Pursuant to Code Provision A.2.1 of Appendix 14 to the Listing Rules, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Lau is currently our Chairman and Chief Executive Officer, responsible for overall strategic development, project management and client management of our Group. Our Board believes that vesting the roles of both Chairman and Chief Executive Officer in Mr. Lau has the benefit of ensuring consistent and continuous leadership within our Group and also maximises the effectiveness and efficiency of overall planning and execution of our strategies. Our Board considers that the balance of power and authority, accountability and independent decision-making under our present arrangement will not be impaired in light of the diverse background and experience of our independent non-executive Directors, and the composition of our Board which comprises equal number of independent non-executive Directors and executive Directors also provides added independence to our Board. Further, our Audit Committee composed exclusively of independent non-executive Directors has free and direct access to our Company's external auditors and independent professional advisers when it considers necessary.

In order to maintain good corporate governance and fully comply with Code Provision A.2.1 of Appendix 14 to the Listing Rules, our Board will regularly review the need to appoint different individuals to perform the roles of chairman and chief executive officer separately.

DIRECTORS AND SENIOR MANAGEMENT

Compliance Adviser

Our Company has appointed Oriental Patron as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Our Company has entered into a compliance adviser's agreement dated 12 December 2014 with the compliance adviser, pursuant to which the compliance adviser will provide advice to our Company 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 under the Listing Rules, is contemplated including share issues and share repurchases;
- (3) where our Company proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in this prospectus; and
- (4) where the Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules.

The term of the appointment shall commence on the Listing Date and end on the date on which our Company distributes the annual report of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

BOARD COMMITTEES

Audit committee

Our Company has established the Audit Committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to make recommendation to the Board on the appointment and removal of external auditors; review the financial statements and render advice in respect of financial reporting as well as oversee internal control procedures of our Group. At present, the Audit Committee comprises three members, namely Mr. Leung Chi Kin, Mr. Lam Chi Hung Louis and Mr. Yau Chi Man Norman (also known as Iao Chi Meng), of whom Mr. Leung Chi Kin is the chairman of the Audit Committee.

Remuneration committee

Our Company has established the Remuneration Committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; review performance based remuneration; and ensure none of our Directors determine their own remuneration. The Remuneration

DIRECTORS AND SENIOR MANAGEMENT

Committee comprises three members, namely Mr. Leung Chi Kin, Ms. Kwan and Mr. Yau Chi Man Norman (also known as Iao Chi Meng). Mr. Yau Chi Man Norman (also known as Iao Chi Meng) is the chairman of the Remuneration Committee.

Nomination Committee

Our Company has established the Nomination Committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and the management of the Board succession. The Nomination Committee comprises three members, namely Mr. Lam Chi Hung Louis, Mr. Cheng and Mr. Yau Chi Man Norman (also known as Iao Chi Meng). Mr. Lam Chi Hung Louis is the chairman of the Nomination Committee.

CORPORATE GOVERNANCE

The Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Our Company will comply with the Corporate Governance Code and the associated Listing Rules.

Directors and Senior Management's Remuneration

Directors and senior management receive compensation in the form of salaries, allowances and other benefits in kind and/or discretionary bonuses. Our Group also reimburses them for expenses which are necessarily and reasonably incurred for providing services or executing their functions in relation to our Group's operations. Our Group regularly reviews and determines the remuneration and compensation packages of our Directors and senior management.

The aggregate amount of compensation (including fees, salaries, contributions to pension schemes and other allowances, benefits in kind and discretionary bonuses) which were paid to the Directors for the each of the three years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014 was approximately HK\$994,000, HK\$1,271,000, HK\$1,374,000 and HK\$634,000, respectively.

Our Group's five highest paid individuals included one Director. Excluding the emoluments paid to that Director, the aggregate emoluments paid to our Group's remaining four highest paid individuals for each of the three financial years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014 were approximately HK\$2,087,000, HK\$2,217,000, HK\$2,667,000 and HK\$1,100,000, respectively. During the Track Record Period and up to the Latest Practicable Date, no emolument was paid by the Group to any of our Directors or the five highest paid individuals (including Directors and employees) as an inducement to join or upon joining our Group or as compensation for loss of office. None of our Directors had waived any emoluments during the Track Record Period and up to the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

Except as disclosed above, no other payments of remuneration have been made, or are payable, in respect of the Track Record Period, by our Group to or on behalf of any of our Directors.

For additional information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to notes 8 and 9 in the Accountant's Report set out in Appendix I to this prospectus.

Our Group participates in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and our Directors confirm that our Group has made the relevant contributions in accordance with the aforesaid laws and regulations. Save as the aforesaid, our Group did not participate in any other pension schemes during the Track Record Period.

SHARE CAPITAL

Our Company's share capital immediately following completion of the Share Offer will be as follows:

HK\$

Authorised share capital:

<u>2,000,000,000</u>	Shares	<u>20,000,000</u>
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Issued and to be issued, fully paid or credited as fully paid upon completion of the Share Offer:

Number of Shares	Description of Shares	
640,000,000	Shares in issue	6,400,000
160,000,000	Shares to be issued under the Share Offer (<i>assuming the Adjustment Options are not exercised</i>)	1,600,000
<u>800,000,000</u>	Shares	<u>8,000,000</u>

ASSUMPTIONS

The above table assumes that the Share Offer becomes unconditional and the issue of Shares pursuant to the Share Offer is made as described herein. It does not take into account (i) any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors; and (ii) Shares which may be allotted and issued upon the exercise of the Adjustment Options.

RANKING

The Offer Shares will rank equally in all respects with all Shares in issue, and will qualify and rank equally for all dividends or other distributions declared, made or paid after the date of this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Subject to the conditions set forth in the paragraph headed “Structure and Conditions of the Share Offer – Conditions of the Public Offer” of this prospectus being fulfilled, our Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares and to make or grant offers, agreements or option which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, issuance and allotment of Shares under a specific authority that may be granted by the Shareholders) shall not exceed:

- (i) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately upon completion of the Share Offer (but excluding any Shares which may be issued pursuant to the exercise of the Adjustment Options); and
- (ii) The aggregate nominal value of share capital of our Company repurchased by our Company (if any) under the “General Mandate to Repurchase Shares” referred to below.

This mandate does not cover Shares to be allotted, issued or dealt with under a rights issue, scrip dividend or similar arrangement in accordance with the Articles. This general mandate to issue Shares will expire at the earliest of:

- (i) The conclusion of the next annual general meeting of our Company; or
- (ii) The expiration of the period within which our Company is required by any applicable law or the Articles to hold our next annual general meeting; or
- (iii) The passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to our Directors by such mandate.

For further details of this general mandate, please refer to the paragraph headed “Statutory and General Information – Further information about our Company – Written resolutions of the existing Shareholders” in Appendix V to this prospectus.

General Mandate to Repurchase Shares

Subject to the conditions set forth in the paragraph headed “Structure and Conditions of the Share Offer – Conditions of the Public Offer” of this prospectus being fulfilled, our Directors have been granted a general unconditional mandate to exercise all our powers to repurchase Shares with an aggregate nominal value of not more than 10.0% of the aggregate nominal amount of our Company’s share capital in issue immediately upon completion of the Share Offer (but excluding any Shares which may be issued pursuant to the exercise of the Adjustment Options).

SHARE CAPITAL

This mandate only relates to repurchases made on the Stock Exchange or any other stock exchange(s) on which our Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and/or requirements of the Listing Rules. A summary of the relevant Listing Rules is set out under the paragraph headed “Repurchase by our Company of our own securities” in Appendix V to this prospectus.

This general mandate to issue Shares will expire at the earliest of:

- (i) The conclusion of the next annual general meeting of our Company; or
- (ii) The expiration of the period within which our Company is required by any applicable law or the Articles to hold our next annual general meeting; or
- (iii) The passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to our Directors by such mandate.

For further details of this general mandate, please refer to the paragraph headed “Statutory and General Information – Further Information about our Company – Written resolutions of the existing Shareholders” in Appendix V to this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Share Offer (but without taking into account of any Shares to be allotted and issued pursuant to the Adjustment Options), the following persons will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who will, directly or indirectly, be interested in 10.0% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

Long position in our Shares

Name	Nature of Interest	No. of Shares held	Approximate percentage of shareholding
In Play	Beneficial owner	270,000,000	33.75%
Mr. Lau	Interest of a controlled corporation <i>(Note 1)</i>	270,000,000	33.75%
	Interest of spouse <i>(Note 2)</i>	60,000,000	7.5%
Wealth Celebration	Beneficial owner	270,000,000	33.75%
Mr. Cheng	Interest of a controlled corporation <i>(Note 3)</i>	270,000,000	33.75%
	Beneficial owner	60,000,000	7.5%
Ms. Kwan	Interest of a controlled corporation <i>(Note 4)</i>	60,000,000	7.5%
	Interest of spouse <i>(Note 5)</i>	270,000,000	33.75%

Notes:

1. In Play is 100.0% owned by Mr. Lau. Mr. Lau is therefore deemed to be interested in the Shares held by In Play under the SFO.
2. Mr. Lau is the spouse of Ms. Kwan. By virtue of the SFO, Mr. Lau is deemed to be interested in the same number of Shares in which Ms. Kwan is deemed to be interested.
3. Wealth Celebration is 100.0% owned by Mr. Cheng. Mr. Cheng is therefore deemed to be interested in the Shares held by Wealth Celebration under the SFO.
4. Kinetic Kingdom is 100.0% owned by Ms. Kwan. Ms. Kwan is therefore deemed to be interested in the Shares held by Kinetic Kingdom under the SFO.
5. Ms. Kwan is the spouse of Mr. Lau. By virtue of the SFO, Ms. Kwan is deemed to be interested in the same number of Shares in which Mr. Lau is deemed to be interested.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed herein, our Directors are not aware of any person who will, immediately following completion of the Share Offer (but without taking into account of any Shares to be allotted and issued pursuant to the Adjustment Options), have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, who will, directly or indirectly, be interested in 10.0% of more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group and are therefore regarded as substantial shareholders under the Listing Rules.

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 years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014, including the notes thereto, included in Appendix I to this prospectus. The financial information has been prepared in accordance with HKFRS. 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

Our Group is a contractor in the foundation industry in Hong Kong and is principally engaged in the provision of foundation works and associated works, including demolition works, site formation works, ground investigation field works and general building works for local customers. Our customers include property developers, construction companies and institutions such as not-for-profit organisations and educational institutions. According to the Ipsos Report, our Group ranked the ninth in the foundation industry in Hong Kong in terms of turnover in 2013.

For the years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014, our Group recorded turnover of approximately HK\$365.9 million, HK\$468.1 million, HK\$381.8 million and HK\$185.2 million, respectively. The fluctuation of our Group's turnover was generally in line with the fluctuation of the number of contracts contributing to our Group's turnover during the Track Record Period. For the years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014, the number of projects contributing to our Group's turnover were 16, 20, 16 and 14, respectively. Adhering to the usual practice in the foundation industry, our business is contract-based and on a non-recurring basis. Accordingly, we do not have long-term commitments with our customers and our customers may vary from year to year.

For the years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014, our Group's largest customer contributed approximately 29.8%, 24.2%, 24.4% and 18.5% of the turnover, respectively, while our Group's five largest customers contributed approximately 77.3%, 63.0%, 80.2% and 70.0% of the turnover, respectively.

As at the date of this prospectus, the contract sum (excluding all contingent and/or provisional contract amounts) for the contracts on hand (including contracts in progress and contracts of which our work is yet to commence) amounted to approximately HK\$1,017.0 million. For details of our Group's contracts on hand as at the Latest Practicable Date, please refer to the table under the paragraph headed "Business Overview – Foundation works and associated works – Contracts on hand" in the section headed "Business" in this prospectus.

FINANCIAL INFORMATION

Basis of Presentation of Financial Information

Prior to the Reorganisation, Mr. Lau, Mr. Cheng and Ms. Kwan owned In Construction in Hong Kong which is principally engaged as a contractor in the foundation industry in Hong Kong. To rationalise the corporate structure in preparation of the Listing, the Company was incorporated in the Cayman Islands on 29 September 2014 and our Group underwent the Reorganisation, as detailed in the section headed “History, Reorganisation and Corporate Structure” in this prospectus. Upon completion of the Reorganisation, the Company became the ultimate parent company of In Construction and the holding company of our Group.

The companies which took part in the Reorganisation were controlled by the same group of ultimate equity holders, Mr. Lau, Mr. Cheng and Ms. Kwan before and after the Reorganisation and therefore there were no changes in the economic substance of the ownership and the business of our Group. The Reorganisation only involved inserting newly formed entities with no substantive operations as new holding companies of In Construction, which was our Group’s sole operating entity during the Track Record Period. Accordingly, the Reorganisation has been accounted for using a principle similar to that for a reverse acquisition as set out in HKFRS 3, *Business combinations*, with In Construction being treated as the acquirer for accounting purposes. The financial information has been prepared and presented as a continuation of the financial statements of In Construction with the assets and liabilities of In Construction recognised and measured at their historical carrying amounts prior to the Reorganisation.

FACTORS AFFECTING THE FINANCIAL POSITION AND RESULTS OF OPERATIONS

We believe the most significant factors that directly or indirectly affect our financial position and results of operations include:

Demand for construction activities in the private sector in Hong Kong

During the Track Record Period, we derived all of our turnover from foundation works and associated works in the private sector in Hong Kong. According to the Ipsos Report, the total number of yearly new completions of private residential housing units in Hong Kong ranged from approximately 7,100 units to approximately 13,400 units from 2009 to 2013. We believe the construction activities in the private sector in Hong Kong are cyclical in nature. If the overall value and number of private residential housing units in Hong Kong decrease, the demand for our services may reduce and our operations and profitability may be adversely impacted.

Our foundation work contracts are subject to tenders or acceptable quotations

Our business operates on a non-recurring and project-by-project basis and our customers may vary from year to year. Accordingly, our Group’s ability to compete for and continually secure sizeable and profitable foundation work contracts is one of the major factors affecting our Group’s ongoing growth and future profitability. In the event that our Group is unable to secure new contracts or has not commenced work for any of our new contracts upon the completion of our contracts on hand, our turnover and financial

FINANCIAL INFORMATION

performance may be adversely affected. As at 31 March 2012, 2013 and 2014 and the date of this prospectus, the contract sum (excluding all contingent and/or provisional contract amounts) for contracts on hand (including contracts in progress and contracts of which our work is yet to commence) were approximately HK\$699.8 million, HK\$893.4 million and HK\$938.1 million and HK\$1,017.0 million, respectively.

Fluctuations in the costs directly attributable to our projects

Our major direct costs include (i) sub-contracting charges; (ii) construction materials costs such as concrete and steel; and (iii) labour costs. For the years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014, the sub-contracting charges accounted for approximately 57.9%, 61.7%, 55.7% and 59.4% of our direct costs, respectively whereas the construction materials costs accounted for approximately 25.9%, 23.7% and 28.4% and 26.1% of our direct costs, respectively. For the years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014, labour costs accounted for approximately 4.7%, 3.5% and 4.2% and 4.3% of our direct costs, respectively. Any fluctuations in the costs directly attributable to our projects after tendering and our ability to include an appropriate cost estimate in the tender will have an impact on our profitability.

We determine our tender price by estimating the costs directly attributable to our projects based on, including but not limited to, foundation layout design, ground investigation reports (where available) and other information specified in the tender, invitation documents and taking into account the complexity, duration and associated risks involved in the relevant works. In the event that we fail to properly estimate the project costs or fail to anticipate any increase in the costs directly attributable to our projects, we may be subject to cost overruns, which will in turn result in lower profit margin or even a loss for a project.

Timing of collection of our trade debtors and retentions receivable

We are paid progressively throughout the project and submit payment applications to our customers on a regular basis. If the customer is satisfied with the payment application, a payment certificate will be issued to us. There can be no assurance that we will be paid on time.

As at 30 September 2014, our trade debtors and retentions receivable were approximately HK\$147.7 million. Any failure by our customers to make payment to us on time may have an adverse impact on our liquidity and financial position.

CRITICAL ACCOUNTING POLICIES

Our Group's financial information as set out in the Accountants' Report in Appendix I to this prospectus has been prepared in accordance with HKFRS, which collective term includes Hong Kong Accounting Standards and related interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our Group's significant accounting policies, which are relevant for the discussion and analysis of our financial position and results of operations as included in this prospectus, are set forth in detail in the Accountants' Report in Appendix I to this prospectus. Critical accounting policies are those

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that are most important to the portrayal of our Group's results of operations and financial position and require management to exercise its judgement in the process of applying our Group's accounting policies. The assumptions and estimates are made based on historical experience and various assumptions that we believe to be reasonable, the results of which form the basis of judgements on our carrying amounts of assets and liabilities and our results. We believe the following critical accounting policies involve the most significant estimates and judgements used in the preparation of our Group's financial information.

Significant accounting policies

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 as a percentage of total contract value) issued by the customers.

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) Interest income

Interest income is recognised as it accrues using the effective interest method.

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.

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(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.

(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.

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.

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”.

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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, 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.

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.

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,

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the impairment losses for doubtful debts are recorded using an allowance account. When our Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that 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. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

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SUMMARY OF COMBINED FINANCIAL INFORMATION

The following is a summary of our Group's combined financial information extracted from the Accountants' Report during the Track Record Period, which is included in Appendix I to this prospectus. Information set out in this section should be read in conjunction with the financial information included in the Accountants' Report set forth in Appendix I to this prospectus, together with the accompanying notes.

Combined statements of profit or loss and other comprehensive income

	Year ended 31 March			Six months ended 30 September	
	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>
	(Unaudited)				
Turnover	365,909	468,117	381,750	221,244	185,200
Direct costs	<u>(287,941)</u>	<u>(365,533)</u>	<u>(299,192)</u>	<u>(169,706)</u>	<u>(151,127)</u>
Gross profit	77,968	102,584	82,558	51,538	34,073
Other revenue	381	1,686	3,337	1,139	1,140
Other net (loss)/income	(16)	277	12	–	–
Administrative and other operating expenses	<u>(7,683)</u>	<u>(9,171)</u>	<u>(12,358)</u>	<u>(4,710)</u>	<u>(7,957)</u>
Profit from operations	70,650	95,376	73,549	47,967	27,256
Finance costs	<u>(32)</u>	<u>(349)</u>	<u>(413)</u>	<u>(293)</u>	<u>(243)</u>
Profit before taxation	70,618	95,027	73,136	47,674	27,013
Income tax	<u>(11,773)</u>	<u>(15,726)</u>	<u>(12,159)</u>	<u>(7,873)</u>	<u>(4,908)</u>
Profit and total comprehensive income for the year/period	<u><u>58,845</u></u>	<u><u>79,301</u></u>	<u><u>60,977</u></u>	<u><u>39,801</u></u>	<u><u>22,105</u></u>

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Combined statements of financial position

	At 31 March		At 30 September	
	2012	2013	2014	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets				
Property, plant and equipment	900	1,041	766	636
Finance lease receivables	–	9,682	6,956	5,555
	900	10,723	7,722	6,191
Current assets				
Gross amounts due from customers for contract work	57,779	68,081	123,872	103,797
Finance lease receivables	–	2,631	2,727	2,776
Trade and other receivables	221,417	212,336	217,909	154,048
Cash and bank balances	8,127	55,253	53,014	56,403
	287,323	338,301	397,522	317,024
Current liabilities				
Gross amounts due to customers for contract work	26,265	25,549	3,991	2,468
Trade and other payables	63,233	145,675	169,819	249,905
Bank overdrafts – secured	12,913	–	131	–
Obligations under finance leases	108	2,871	2,932	2,859
Tax payable	11,783	14,199	9,597	14,505
	114,302	188,294	186,470	269,737
Net current assets	173,021	150,007	211,052	47,287
Total assets less current liabilities	173,921	160,730	218,774	53,478
Non-current liabilities				
Loans from shareholders	9,000	9,000	9,000	9,000
Obligations under finance leases	81	9,889	6,956	5,555
	9,081	18,889	15,956	14,555
NET ASSETS	164,840	141,841	202,818	38,923
CAPITAL AND RESERVES				
Share capital	9,300	9,300	9,300	9,300
Reserves	155,540	132,541	193,518	29,623
TOTAL EQUITY	164,840	141,841	202,818	38,923

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

TURNOVER

Our Group derived all of our turnover from foundation works and associated works during the Track Record Period and up to the Latest Practicable Date. As our business operates on a non-recurring and project-by-project basis, our turnover fluctuated during the Track Record Period, subject to various factors, including but not limited to the number, the size, the nature and complexity of the projects and the percentage of completion of our works for a given period.

Turnover of our Group is recognised based on the stage of completion of the contracts. Our Group submits payment applications to our customers or authorised persons employed by our customers on a regular basis. Typically, the authorised person, usually a surveyor, certifies and recommends the value of the contract works completed, which may include variation works and claims, if any. Our customers will arrange settlement in respect of the portion of work completed with reference to the value of contraction works certified by the surveyor.

For the years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014, our Group recorded turnover of approximately HK\$365.9 million, HK\$468.1 million, HK\$381.8 million and HK\$185.2 million, respectively. Our contracts can generally be categorised into (i) design and build contracts; and (ii) build only contracts. The following table sets out a breakdown of our Group's turnover by types of contract during the Track Record Period:

	For the year ended 31 March						For the six months ended 30 September			
	2012		2013		2014		2013		2014	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Turnover:										
Design and build contracts	316,157	86.4	397,182	84.8	279,068	73.1	186,284	84.2	108,164	58.4
Build only contracts	<u>49,752</u>	<u>13.6</u>	<u>70,935</u>	<u>15.2</u>	<u>102,682</u>	<u>26.9</u>	<u>34,960</u>	<u>15.8</u>	<u>77,036</u>	<u>41.6</u>
	<u>365,909</u>	<u>100.0</u>	<u>468,117</u>	<u>100.0</u>	<u>381,750</u>	<u>100.0</u>	<u>221,244</u>	<u>100.0</u>	<u>185,200</u>	<u>100.0</u>

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Set out below is the list of projects contributing to the turnover of over HK\$10 million to our Group for any of the financial years/periods for the years ended 31 March 2012, 2013, 2014 and the six months ended 30 September 2013 and 2014, with additional information on (1) the types of the respective projects and (2) the percentage of completion of the respective projects as at 30 September 2014.

Project name	Types	Turnover recognised					Percentage of completion
		For the year ended 31 March			For the six months ended 30 September		
		2012	2013	2014	2013	2014	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	30 September 2014
Chinese Permanent Cemetery, Tseung Kwan O	Design and build	109,148	1,131	–	–	–	99%
Tanner Hill, North Point	Build only	29,915	19,517	9,697	9,697	–	94%
Caine Road, Central	Design and build	17,600	–	–	–	–	Completed
Zones 1A, 1B & 2B New World Centre, Tsim Sha Tsui	Design and build	105,574	87,160	19,072	19,072	–	98%
Shatin, New Territories	Design and build	11,750	–	–	–	–	Completed
Heung Sze Wui Road, Tuen Mun	Design and build	13,270	3,575	–	–	–	Completed
On Lan Street, Central	Design and build	20,488	7,745	–	–	–	Completed
Castle Road, Mid-Levels	Design and build	11,510	–	–	–	–	Completed
Coronation Terrace, Mid-Levels	Design and build	5,187	37,248	–	–	2,993	Completed
Argyle Street	Build only	11,558	–	519	519	–	Completed
Zones 3B & 2D New World Centre, Tsim Sha Tsui	Design and build	–	80,670	73,960	32,240	29,970	95%
Bulkeley Street, Hung Hom	Design and build	–	30,598	–	–	7,056	Completed
Merlin Street, North Point	Design and build	7,276	16,904	–	–	–	Completed
Lyndhurst Terrace, Central	Design and build	–	18,025	6,475	6,375	–	Completed
Open University Campus at Chung Hau Street, Ho Man Tin	Build only	–	47,086	1,373	–	–	Completed
Ko Shan Road, To Kwa Wan	Design and build	–	14,663	61,849	30,841	–	Completed
Wellington Street, Central	Design and build	–	66,280	18,465	18,465	–	98%
Argyle Street and Julia Avenue, Kowloon	Design and build	–	15,740	41,710	37,170	–	Completed
Tung Yuen Street, Yau Tong	Build only	–	–	54,140	23,930	6,030	95%
Ma Tau Wai Road, To Kwa Wan	Design and build	–	12,777	–	–	6,767	68%
Cannon Street and Jaffe Road, Causeway Bay	Design and build	–	–	55,537	40,121	–	78%
Queen's Road Central and Stanley Street, Central	Build only	–	–	–	–	10,406	13%
Heung Yip Road, Aberdeen	Design and build	–	–	–	–	34,289	32%
Tseung Kwan O Lot 95	Build only	–	–	36,140	–	17,335	97%
Tseung Kwan O Lot 97	Build only	–	–	–	–	33,905	60%
Russell Street, Causeway Bay	Design and build	–	–	–	–	14,067	88%
Hillwood Road, Tsim Sha Tsui	Design and build	–	–	–	–	13,120	61%
Others (Note)		22,633	8,998	2,813	2,814	9,262	
		<u>365,909</u>	<u>468,117</u>	<u>381,750</u>	<u>221,244</u>	<u>185,200</u>	

Note: Others mainly represent those projects contributing turnover of HK\$10 million or less to our Group for each of the financial years/periods.

DIRECT COSTS

Direct costs mainly include (i) sub-contracting charges, (ii) construction material costs, (iii) labour costs and (iv) other direct costs.

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Sub-contracting charges represent the cost for engaging sub-contractors to carry out different part of our construction work when we consider it necessary or appropriate to do so. Sub-contracted works mainly include piling, steel bar fixing, concreting, erection of formwork, excavation and lateral support, site investigation and foundation layout design. Construction material costs mainly represent the costs for the purchase of concrete and steel. Labour costs represent the salaries, wages and other benefits provided for our workers such as safety officers and foremen who are directly involved in the projects. Other direct costs include, but not limited to, (a) insurance expenses for the employees' compensation insurance and contractor's all risks; (b) consultancy fees for project administration and implementation matters of our Group; (c) rental expenses of construction machinery; and (d) others such as transportation and dumping charges for soil extracted, parts and consumables, electricity and water consumed and rent and rates.

The following table sets out the components of our direct costs for the years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2013 and 2014:

	Year ended 31 March			Six months ended 30 September	
	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>
				(Unaudited)	
Sub-contracting charges	166,632	225,568	166,525	104,865	89,828
Construction material costs	74,675	86,696	84,987	42,115	39,395
Labour costs	13,485	12,773	12,627	6,193	6,507
Other direct costs	<u>33,149</u>	<u>40,496</u>	<u>35,053</u>	<u>16,533</u>	<u>15,397</u>
Total	<u>287,941</u>	<u>365,533</u>	<u>299,192</u>	<u>169,706</u>	<u>151,127</u>

The direct costs of our Group amounted to approximately HK\$287.9 million, HK\$365.5 million, HK\$299.2 million and HK\$151.1 million for the years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014, respectively. The fluctuation of direct costs is generally in line with the fluctuation of turnover during the Track Record Period.

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The following sensitivity analysis illustrates the impact of hypothetical changes of sub-contracting charges, construction material costs and labour costs on profit before taxation for the years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2013 and 2014, with reference to the historical fluctuation of our direct costs from 2012 to 2014:

Impact on profit before taxation

	Year ended 31 March			Six months ended 30 September	
	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>
Sub-contracting charges change by:					
+5%	(8,332)	(11,278)	(8,326)	(5,243)	(4,491)
-5%	8,332	11,278	8,326	5,243	4,491
+10%	(16,663)	(22,557)	(16,653)	(10,487)	(8,983)
-10%	16,663	22,557	16,653	10,487	8,983
+20%	(33,326)	(45,114)	(33,305)	(20,973)	(17,966)
-20%	33,326	45,114	33,305	20,973	17,966

Impact on profit before taxation

	Year ended 31 March			Six months ended 30 September	
	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 change by:					
+5%	(3,734)	(4,335)	(4,249)	(2,106)	(1,970)
-5%	3,734	4,335	4,249	2,106	1,970
+10%	(7,468)	(8,670)	(8,499)	(4,212)	(3,940)
-10%	7,468	8,670	8,499	4,212	3,940
+20%	(14,935)	(17,339)	(16,997)	(8,423)	(7,879)
-20%	14,935	17,339	16,997	8,423	7,879

Impact on profit before taxation

	Year ended 31 March			Six months ended 30 September	
	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>
Labour costs change by:					
+5%	(674)	(639)	(631)	(310)	(325)
-5%	674	639	631	310	325
+10%	(1,349)	(1,277)	(1,263)	(619)	(651)
-10%	1,349	1,277	1,263	619	651
+20%	(2,697)	(2,555)	(2,525)	(1,239)	(1,301)
-20%	2,697	2,555	2,525	1,239	1,301

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OTHER REVENUE AND OTHER NET (LOSS)/INCOME

The following tables set forth the break down of other revenue and other net loss or income of our Group for the years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2013 and 2014:

Other revenue	Year ended 31 March			Six months ended 30 September	
	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>
	(Unaudited)				
Bank interest income	3	80	792	385	335
Interest income from finance leases receivable	–	287	397	210	162
Sales of scrap materials (<i>Note 1</i>)	370	1,044	2,091	495	601
Others	<u>8</u>	<u>275</u>	<u>57</u>	<u>49</u>	<u>42</u>
	<u><u>381</u></u>	<u><u>1,686</u></u>	<u><u>3,337</u></u>	<u><u>1,139</u></u>	<u><u>1,140</u></u>

Other net (loss)/ income	Year ended 31 March			Six months ended 30 September	
	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>
	(Unaudited)				
Net (loss)/gain on disposal of property, plant and equipment	<u>(16)</u>	<u>277</u>	<u>12</u>	<u>–</u>	<u>–</u>

Note 1: Upon completion of a project, certain construction materials such as concrete and steel which were unused and/or not to be reused for other projects were sold to third parties as our Group had limited storage space for construction materials.

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ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	Year ended 31 March			Six months ended 30 September	
	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>
				(Unaudited)	
Staff costs	3,046	3,812	4,656	1,936	2,064
Professional services charges	64	216	1,639	93	779
Depreciation	627	708	554	259	241
Office expenses	1,457	1,406	1,542	704	853
Listing expenses	–	–	–	–	2,312
Other administrative and operating costs	<u>2,489</u>	<u>3,029</u>	<u>3,967</u>	<u>1,718</u>	<u>1,708</u>
	<u><u>7,683</u></u>	<u><u>9,171</u></u>	<u><u>12,358</u></u>	<u><u>4,710</u></u>	<u><u>7,957</u></u>

Staff costs include management, administrative and operational staff costs incurred in a normal daily operation of our Group. Professional services charges include fees accruing to legal and other advisers such as the company secretary in connection with the daily commercial matters of our Group. Depreciation represents mainly the depreciation charges for the motor vehicles and office equipment. Office expenses mainly represent office administration costs incurred for daily operation such as rent, rates, stationery, telecommunication charges and building management fees. Listing expenses include expenses incurred for the appointment of professional parties in the preparation of the Listing. Other administrative and operating costs include meeting expenses, meals and allowance, general expenses on machinery and equipment, and other sundry expenses.

The administrative and other operating expenses were approximately HK\$7.7 million, HK\$9.2 million, HK\$12.4 million and HK\$8.0 million for the years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014, respectively. Professional services charges increased from approximately HK\$0.2 million for the year ended 31 March 2013 to approximately HK\$1.6 million for the year ended 31 March 2014 mainly due to legal expenses of approximately HK\$1.5 million incurred in relation to an arbitration. For further details of which, please refer to the paragraph headed “Business – Legal and Administrative Procedures and Possible Claims” set out in this prospectus.

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FINANCE COSTS

Finance costs mainly represent interest expenses on bank overdraft and finance charges on obligations under finance leases.

	Year ended 31 March			Six months ended 30 September	
	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>
				(Unaudited)	
Interest on bank overdrafts	12	5	7	7	59
Finance charges on obligations under finance leases	20	344	406	286	184
	32	349	413	293	243

For the years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014, the underlying interest rates of these obligation under finance leases ranged from 3.25% to 3.75%.

INCOME TAX EXPENSES

Our Group was not subject to any income tax in the Cayman Islands and BVI during the Track Record Period. The provision for Hong Kong profits tax was calculated at 16.5% of the relevant estimated assessable profits for the Track Record Period. The effective tax rates of our Group for the years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014 were approximately 16.7%, 16.5% and 16.6% and 18.2%, respectively.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six months ended 30 September 2014 compared to six months ended 30 September 2013

Turnover, direct costs and gross profit

Turnover

For the six months ended 30 September 2014, our Group's turnover was approximately HK\$185.2 million, representing a decrease of approximately 16.3% over the same period in 2013. Such decrease was mainly the result of the decrease in average turnover of our projects from approximately HK\$15.8 million for the six months ended 30 September 2013 to approximately HK\$13.2 million for the six months ended 30 September 2014, given that the number of projects contributing to turnover of our Group remained unchanged at 14 in both periods.

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Direct costs

In line with the decrease in turnover, the direct costs of our Group decreased from approximately HK\$169.7 million for the six months ended 30 September 2013 to approximately HK\$151.1 million for the six months ended 30 September 2014. Such decrease was primarily due to the decrease in sub-contracting charges as well as construction material costs, which was offset slightly by the increase in the labour costs during the period due to the salary increment.

Gross Profit

	For the six months ended 30 September 2014		For the six months ended 30 September 2013	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Gross profit/margin	<u>34,073</u>	<u>18.4</u>	<u>51,538</u>	<u>23.3</u>

In line with the decrease in turnover, the gross profit of our Group decreased from approximately HK\$51.5 million for the six months ended 30 September 2013 to approximately HK\$34.1 million for the six months ended 30 September 2014. The gross margin of our Group decreased from approximately 23.3% for the six months ended 30 September 2013 to approximately 18.4% for the six months ended 30 September 2014. This is mainly attributable to (i) the increase in labour costs due to the salary increment; and (ii) the recognition of expected losses resulting from the estimated additional costs for remedial works on Hing Hon Road Project. For further details of which, please refer to the section headed "Risk factors" and paragraph headed "Business – Legal and Administrative Proceedings and Possible Claims" set out in this prospectus.

Other revenue

Other revenue for the six months ended 30 September 2013 and 2014 remained unchanged at approximately HK\$1.1 million.

Administrative and other operating expenses

Administrative and other operating expenses increased from approximately HK\$4.7 million for the six months ended 30 September 2013 to approximately HK\$8.0 million for the six months ended 30 September 2014. This was mainly due to the listing expenses of approximately HK\$2.3 million incurred in preparation of the Listing for the six months ended 30 September 2014.

Finance costs

The Group has maintained a relatively similar level of finance costs of approximately HK\$0.3 million and HK\$0.2 million for the six months ended 30 September 2013 and 2014, respectively.

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Income tax expenses

The income tax expenses decreased from approximately HK\$7.9 million for the six months ended 30 September 2013 to approximately HK\$4.9 million for the six months ended 30 September 2014, which was consistent with the decrease in profit before taxation for the six months ended 30 September 2014 as compared to six months ended 30 September 2013.

Profit and total comprehensive income

In view of the above, in particular due to the decrease in our turnover and gross profit during the six months ended 30 September 2014 as compared to the six months ended 30 September 2013, our profit and total comprehensive income decreased by approximately HK\$17.7 million, from approximately HK\$39.8 million for the six months ended 30 September 2013 to approximately HK\$22.1 million for the six months ended 30 September 2014.

Year ended 31 March 2014 compared to year ended 31 March 2013

Turnover, direct costs and gross profit

Turnover

For the year ended 31 March 2014, our Group's turnover was approximately HK\$381.8 million, representing a decrease of approximately 18.4% over the same period in 2013. Such decrease was mainly the result of a decrease in the number of projects contributing turnover to our Group from 20 for the year ended 31 March 2013 to 16 for the year ended 31 March 2014, given that the average turnover of our projects remained stable in both years at approximately HK\$23.4 million and HK\$23.9 million respectively.

Direct costs

In line with the decrease in turnover, the direct costs of our Group decreased from approximately HK\$365.5 million for the year ended 31 March 2013 to approximately HK\$299.2 million for the year ended 31 March 2014, representing a decrease of approximately 18.1%. Such decrease was primarily due to the decrease in sub-contracting charges and construction material costs during the year ended 31 March 2014.

Gross Profit

	For the year ended 31 March 2014		For the year ended 31 March 2013	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Gross profit/margin	<u>82,558</u>	<u>21.6</u>	<u>102,584</u>	<u>21.9</u>

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In line with the decrease in turnover, the gross profit of our Group decreased from approximately HK\$102.6 million for the year ended 31 March 2013 to approximately HK\$82.6 million for the year ended 31 March 2014. The gross margin of our Group remained stable at approximately 21.9% and 21.6% for the years ended 31 March 2013 and 2014, respectively.

Other revenue

Other revenue for the year ended 31 March 2014 increased to approximately HK\$3.3 million, from approximately HK\$1.7 million for the year ended 31 March 2013, which was mainly due to the increase in sale of scrap materials from approximately HK\$1.0 million for the year ended 31 March 2013 to approximately HK\$2.1 million for the year ended 31 March 2014.

Administrative and other operating expenses

Administrative and other operating expenses increased from approximately HK\$9.2 million for the year ended 31 March 2013 to approximately HK\$12.4 million for the year ended 31 March 2014. This was mainly due to the increase in professional services charges, general expenses on machinery and equipment and staff costs.

Finance costs

Our Group has maintained a relatively similar level of finance costs of approximately HK\$0.3 million and HK\$0.4 million for the years ended 31 March 2013 and 2014, respectively.

Income tax expenses

The income tax expenses decreased from approximately HK\$15.7 million for the year ended 31 March 2013 to approximately HK\$12.2 million for the year ended 31 March 2014, which was consistent with the decrease in profit before taxation for the year.

Profit and total comprehensive income

In view of the above, in particular due to the decrease in our turnover and gross profit during the year ended 31 March 2014 as compared to the year ended 31 March 2013, our profit and total comprehensive income decreased by approximately HK\$18.3 million, from approximately HK\$79.3 million for the year ended 31 March 2013 to approximately HK\$61.0 million for the year ended 31 March 2014.

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Year ended 31 March 2013 compared to year ended 31 March 2012

Turnover, direct costs and gross profit

Turnover

For the year ended 31 March 2013, our Group's turnover was approximately HK\$468.1 million, representing an increase of approximately 27.9% as compared to our turnover of approximately HK\$365.9 million for the year ended 31 March 2012. This was mainly the result of an increase in the number of projects contributing turnover of the Group from 16 for the year ended 31 March 2012 to 20 for the year ended 31 March 2013, given that the average turnover of our projects remained stable in both years at approximately HK\$22.9 million and HK\$23.4 million respectively.

Direct costs

In line with the increase in turnover, the direct costs of our Group increased from approximately HK\$287.9 million for the year ended 31 March 2012 to approximately HK\$365.5 million for the year ended 31 March 2013, representing an increase of approximately 26.9%. Such increase was primarily due to the increase in sub-contracting charges as well as construction material costs during the year ended 31 March 2013.

Gross Profit

	For the year ended 31 March 2013		For the year ended 31 March 2012	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Gross profit/margin	<u>102,584</u>	<u>21.9</u>	<u>77,968</u>	<u>21.3</u>

In line with the increase in turnover, the gross profit of our Group increased from approximately HK\$78.0 million for the year ended 31 March 2012 to approximately HK\$102.6 million for the year ended 31 March 2013.

Other revenue

Other revenue for the year ended 31 March 2013 increased to approximately HK\$1.7 million from approximately HK\$0.4 million for the year ended 31 March 2012. This was mainly due to the increase in sale of scrap materials.

Administrative and other operating expenses

Administrative and other operating expenses increased from approximately HK\$7.7 million for the year ended 31 March 2012 to approximately HK\$9.2 million for the year ended 31 March 2013. This was mainly due to the increase in general expenses on machinery and equipment and staff costs during the year ended 31 March 2013 as compared to the year ended 31 March 2012.

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Finance costs

Finance costs increased from approximately HK\$32,000 for the year ended 31 March 2012 to approximately HK\$0.3 million for the year ended 31 March 2013, mainly due to the increase in finance lease charges as a result of acquisition of machinery through a finance lease arrangement.

Income tax expenses

The income tax expenses increased from approximately HK\$11.7 million for the year ended 31 March 2012 to approximately HK\$15.7 million for the year ended 31 March 2013, which was consistent with the increase in profit before taxation for the year.

Profit and total comprehensive income

In view of the above, in particular due to the increase in our turnover and gross profit during the year ended 31 March 2013 as compared to the year ended 31 March 2012, our profit and total comprehensive income increased by approximately HK\$20.5 million, from approximately HK\$58.8 million for the year ended 31 March 2012 to approximately HK\$79.3 million for the year ended 31 March 2013.

LIQUIDITY AND CAPITAL RESOURCES

The following table sets forth a summary of our cash flows for the periods indicated:

	Year ended 31 March			Six months ended 30 September	
	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>
				(Unaudited)	
Net cash (used in)/generated from operating activities	(5,431)	68,634	3,216	38,764	4,102
Net cash used in investing activities'	(7,263)	(36,272)	(2,927)	(25,849)	(3,743)
Net cash used in financing activities	<u>(269)</u>	<u>(8,842)</u>	<u>(7,934)</u>	<u>(6,366)</u>	<u>(1,717)</u>
Net (decrease)/ increase in cash and cash equivalents	(12,963)	23,520	(7,645)	6,549	(1,358)
Cash and cash equivalents at the beginning of the year/period	<u>54</u>	<u>(12,909)</u>	<u>10,611</u>	<u>10,611</u>	<u>2,966</u>
Cash and cash equivalents at the end of the year/ period	<u><u>(12,909)</u></u>	<u><u>10,611</u></u>	<u><u>2,966</u></u>	<u><u>17,160</u></u>	<u><u>1,608</u></u>

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Net cash (used in)/generated from operating activities

Our cash inflow from operating activities is primarily generated from the provision of foundation works as well as associated works. Our cash outflow for operating activities is primarily related to the payments of sub-contracting charges, construction material costs, labour costs and administrative expenses. Our cash flow from operating activities is affected by a number of factors, which include the progress of the foundation projects and the settlement of trade receivables from our customers and trade payables by our Group.

Our net cash generated from operating activities amounted to approximately HK\$4.1 million for the six months ended 30 September 2014, which was based on the profit before taxation of approximately HK\$27.0 million for the corresponding period, adjusted mainly by changes in working capital including (i) the increase in trade and other receivables of approximately HK\$32.2 million mainly attributable to (a) the increase in trade debtors and retentions receivable of approximately HK\$28.2 million in aggregate and (b) the increase in cash advanced to our shareholders of approximately HK\$5.5 million and (ii) the decrease in trade and other payables of approximately HK\$9.2 million, which was offset by the decrease in gross amounts due from customers for contract work of approximately HK\$20.1 million.

Our net cash generated from operating activities amounted to approximately HK\$3.2 million for the year ended 31 March 2014, which was based on the profit before taxation of approximately HK\$73.1 million for the corresponding period, adjusted mainly by (1) changes in working capital including (i) the increase in gross amounts due from customers for contract work of approximately HK\$55.8 million mainly attributable to a number of projects that our Group just commenced construction works during the year, and (ii) the decrease in gross amounts due to customers for contract work of approximately HK\$21.6 million, which was offset by the increase in trade and other payables of approximately HK\$28.8 million; and (2) tax payment of approximately HK\$16.8 million for the corresponding period.

During the year ended 31 March 2013, our net cash generated from operating activities amounted to approximately HK\$68.6 million, which was based on the profit before taxation of approximately HK\$95.0 million for the corresponding period, adjusted mainly by (1) changes in working capital including (i) the increase in trade and other receivables of approximately HK\$80.3 million mainly attributable to increase in cash advanced to our shareholders of approximately HK\$85.8 million and (ii) the increase in gross amounts due from customers for contract work of approximately HK\$10.3 million, which was offset by the increase in trade and other payables of approximately HK\$77.8 million; and (2) tax payment of approximately HK\$13.3 million for the corresponding period.

During the year ended 31 March 2012, our net cash used in operating activities amounted to approximately HK\$5.4 million, which was based on the profit before taxation of approximately HK\$70.6 million for the corresponding period, adjusted mainly by (1) changes in working capital including (i) the increase in trade and other receivables of approximately HK\$95.6 million mainly attributable to (a) the increase in cash advanced to our shareholders of approximately HK\$74.6 million and (b) the increase in trade debtors and retentions receivable of approximately HK\$21.9 million in aggregate; and (ii) the increase in gross amounts due from customers for contract works of approximately HK\$5.0 million,

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which was offset by (i) the increase trade and other payables of approximately HK\$16.2 million and (ii) the increase in gross amounts due to customers for contract work of approximately HK\$19.1 million; and (2) tax payment of approximately HK\$11.7 million for the corresponding period.

Net cash used in investing activities

Our cash outflow for investing activities is primarily related to placement of restricted bank deposits while our cash inflow from investing activities is primarily derived from income from leasing of machinery to certain sub-contractors.

During the six months ended 30 September 2014, our net cash used in investing activities amounted to approximately HK\$3.7 million which was mainly attributable to the increase in restricted bank deposits of approximately HK\$4.9 million, partly offset by the receipt of income (i.e. capital elements plus interest elements of the finance lease rental) from leasing of machinery of approximately HK\$0.9 million.

During the year ended 31 March 2014, our net cash used in investing activities amounted to approximately HK\$2.9 million which was mainly attributable to the increase in restricted bank deposits of approximately HK\$5.3 million, partly offset by the receipt of income from leasing of machinery of approximately HK\$1.8 million.

During the year ended 31 March 2013, our net cash used in investing activities amounted to approximately HK\$36.3 million which was mainly attributable to the increase in restricted bank deposits of approximately HK\$36.5 million.

During the year ended 31 March 2012, our net cash used in investing activities amounted to approximately HK\$7.3 million which was mainly attributable to the increase in restricted bank deposits of approximately HK\$7.1 million.

Net cash used in financing activities

Our cash outflow for financing activities primarily consists of dividends paid to our shareholders and finance charges relating to acquisition of machinery from financial institutions.

During the six months ended 30 September 2014, our net cash used in financing activities amounted to approximately HK\$1.7 million mainly due to payment of approximately HK\$1.7 million finance charges (i.e. capital elements plus interest elements of the finance lease rental) relating to the acquisition of machinery.

During the year ended 31 March 2014, our net cash used from financing activities amounted to approximately HK\$7.9 million, mainly due to dividends paid of approximately HK\$4.7 million and finance charges of approximately HK\$3.3 million relating to acquisition of machinery.

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During the year ended 31 March 2013, our net cash used in financing activities amounted to approximately HK\$8.8 million, mainly due to the dividends paid of approximately HK\$5.6 million and finance charges of approximately HK\$3.3 million relating to the acquisition of machinery.

During the year ended 31 March 2012, our net cash used in financing activities amounted to approximately HK\$0.3 million, mainly due to the dividends paid of approximately HK\$1.2 million, partly offset by the receipt of cash as a result of issuance of new shares to shareholders of approximately HK\$1.1 million.

COMMITMENTS

During the Track Record Period, our Group's commitment consisted mainly of capital commitments relating to the purchase of machinery as well as operating lease commitments relating to the leasing of an office and an office equipment.

The table sets forth our Group's capital commitments contracted but not provided for as at 31 March 2012, 2013 and 2014 and 30 September 2014:

	At 31 March			At 30
	2012	2013	2014	September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2014</i> <i>HK\$'000</i>
Contracted for	6,200	–	–	–

The Group's capital commitments contracted but not provided for as at 31 March 2012, 2013 and 2014 and 30 September 2014 amounted to approximately HK\$6.2 million, nil and nil and nil respectively. The balance as at 31 March 2012 represented a contract for the purchase of machinery which had been acquired during the year ended 31 March 2013. A back-to-back arrangement among our Group, a financial institution and certain sub-contractors was entered into for which the machinery our Group acquired by way of finance lease during the year ended 31 March 2013 was sub-leased to those sub-contractors during the same year. For details of which, please refer to the paragraphs headed "*Finance lease receivables*" and "*Obligations under finance leases*" in this section.

The following table sets out our Group's total future minimum lease payments under non-cancellable operating leases:

	At 31 March			At 30
	2012	2013	2014	September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2014</i> <i>HK\$'000</i>
Within 1 year	900	906	242	912
After 1 year but within 5 years	1,290	405	180	1,533
	2,190	1,311	422	2,445

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SUFFICIENCY OF WORKING CAPITAL

Taking into account the financial resources available to our Group, including the estimated net proceeds from the Share Offer, the internally generated funds and the available banking facilities, our Directors are of the opinion that our Group has sufficient funds to meet the working capital and financial requirements, for at least the next twelve months from the date of this prospectus.

NET CURRENT ASSETS

As at 31 March 2012, 2013, 2014, 30 September 2014 and 31 January 2015, we recorded net current assets of approximately HK\$173.0 million, HK\$150.0 million, HK\$211.1 million, HK\$47.3 million and HK\$52.8 million, respectively.

	As at 31 March			As at 30 September 2014	As at 31 January 2015
	2012	2013	2014	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)				
Current assets					
Gross amounts due from customers for contract work	57,779	68,081	123,872	103,797	62,920
Finance lease receivables	–	2,631	2,727	2,776	2,793
Trade and other receivables	221,417	212,336	217,909	154,048	167,800
Cash and bank balances	<u>8,127</u>	<u>55,253</u>	<u>53,014</u>	<u>56,403</u>	<u>60,605</u>
	<u>287,323</u>	<u>338,301</u>	<u>397,522</u>	<u>317,024</u>	<u>294,118</u>
Current liabilities					
Gross amounts due to customers for contract work	26,265	25,549	3,991	2,468	31,670
Trade and other payables	63,233	145,675	169,819	249,905	193,719
Bank overdrafts – secured	12,913	–	131	–	–
Obligations under finance leases	108	2,871	2,932	2,859	2,810
Tax payable	<u>11,783</u>	<u>14,199</u>	<u>9,597</u>	<u>14,505</u>	<u>13,124</u>
	<u>114,302</u>	<u>188,294</u>	<u>186,470</u>	<u>269,737</u>	<u>241,323</u>
Net current assets	<u>173,021</u>	<u>150,007</u>	<u>211,052</u>	<u>47,287</u>	<u>52,795</u>

As at 30 September 2014, we recorded net current assets of approximately HK\$47.3 million, representing a decrease of HK\$163.8 million as compared to the net current assets of approximately HK\$211.1 million as at 31 March 2014. Such decrease was mainly due to

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the declaration of dividends of HK\$186.0 million to shareholders in September 2014. The net current assets of our Group were approximately HK\$52.8 million as at 31 January 2015, which remained stable as compared to that as at 30 September 2014.

ANALYSIS OF MAJOR ITEMS FROM THE STATEMENTS OF FINANCIAL POSITION

Finance lease receivables

Our Group's finance lease receivables derived from the finance lease arrangements of construction machinery entered into between our Group and certain sub-contractors during the year ended 31 March 2013 for a period of five years. The following table sets out our Group's finance lease receivables as at each reporting dates:

Minimum lease receipts	At 31 March			At 30
	2012	2013	2014	September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2014</i> <i>HK\$'000</i>
Within 1 year	–	3,027	3,027	3,027
After 1 year but within 2 years	–	3,027	3,027	3,027
After 2 years but within 5 years	–	7,269	4,242	2,729
	–	13,323	10,296	8,783
Less: total unearned finance income	–	(1,010)	(613)	(452)
	<u>–</u>	<u>12,313</u>	<u>9,683</u>	<u>8,331</u>

The present value of finance lease receivables is as follows:

	As at 31 March			As at 30
	2012	2013	2014	September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2014</i> <i>HK\$'000</i>
Within 1 year	–	2,631	2,727	2,776
After 1 year but within 2 years	–	2,727	2,826	2,877
After 2 years but within 5 years	–	6,955	4,130	2,678
	<u>–</u>	<u>12,313</u>	<u>9,683</u>	<u>8,331</u>

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Our finance lease receivables amounted to nil, approximately HK\$12.3 million, HK\$9.7 million and HK\$8.3 million as at 31 March 2012, 2013 and 2014 and 30 September 2014 respectively. Our Group's finance lease receivables decreased steadily after 31 March 2013 as a result of the settlement from sub-contractors by installments. Save for the machinery mentioned above, our Group did not lease out any other machinery during the Track Record Period.

The rental rates of the lease receivables were determined with reference to the underlying interest rates of those obligations under finance leases entered into between our Group and financial institutions. For further details of the obligations under finance leases, please refer to the paragraph headed "*Obligations under finance leases*" in this section.

Gross amounts due from/to customers for contract work

Our revenue from construction contracts is recognised based on the stage of completion of the contracts certified by an independent surveyor appointed by our customers. 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 contract costs incurred to date plus recognised profits or losses less progress billings. In brief, it represents work performed by us, for which the payment certificates have not yet been obtained from our customers as at the end of a financial year. Gross amounts due to customers for contract work represent progress billings less contract costs incurred to date plus recognised profit or loss. The following table sets out our Group's gross amounts due from/to customers for contract work as at the reporting dates:

	As at 31 March			As at 30
	2012	2013	2014	September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross amounts due from customers for contract work	57,779	68,081	123,872	103,797
Gross amounts due to customers for contract work	<u>(26,265)</u>	<u>(25,549)</u>	<u>(3,991)</u>	<u>(2,468)</u>
	<u>31,514</u>	<u>42,532</u>	<u>119,881</u>	<u>101,329</u>

The gross amounts due from customers for contract work are usually affected by the value of construction works done and the timing of receipt of progress certificates and our billing. Accordingly, the Directors consider that it is common these balances vary from period to period. In particular, the gross amounts due from customers for contract work increased from approximately HK\$68.1 million as at 31 March 2013 to approximately HK\$123.9 million as at 31 March 2014 and the gross amounts due to customers for contract work decreased from approximately HK\$25.5 million as at 31 March 2013 to HK\$4.0 million as at 31 March 2014, which were largely attributable to certain projects that our Group just commenced construction works during the year. As certain preliminary works had

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to be carried out in which our Group may not yet be entitled to submit payment applications to the customers, those construction costs incurred would be included in gross amounts due from customers for contract work.

Trade and other receivables

Our Group's trade and other receivables mainly consist of trade debtors, deposits, prepayments and other receivables, retentions receivable and amounts due from shareholders. The following table sets forth the trade and other receivables of our Group as at the reporting dates:

	As at 31 March			As at 30
	2012	2013	2014	September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade debtors	65,875	90,384	57,403	80,578
Deposits, prepayments and other receivables	39,827	8,107	7,554	6,395
Retentions receivable	45,604	50,019	61,459	67,075
Amounts due from shareholders	70,111	63,826	91,493	–
	<u>221,417</u>	<u>212,336</u>	<u>217,909</u>	<u>154,048</u>

Trade debtors

Trade debtors, unlike gross amount due from customers for contract work, represent certified work performed by us and billings raised to our customers but not yet settled. Trade debtors increased from approximately HK\$65.9 million as at 31 March 2012 to approximately HK\$90.4 million as at 31 March 2013 but decreased to HK\$57.4 million as at 31 March 2014. The fluctuations were generally in line with the fluctuation in turnover during the respective periods. The balance subsequently increased to approximately HK\$80.6 million as at 30 September 2014 as our Group has had certain projects certified with billing just raised in September 2014, and accordingly, there was an increase in trade debtors as at 30 September 2014 as compared to 31 March 2014.

We generally offer our customers a credit period of 14-30 days from the date of billing. Prior to taking up each project, we would carefully assess each customer and consider various factors including but not limited to the relevant customer's size and background, credit history, financial condition and reputation, which we consider are essential factors for us to determine the credibility of such customer and the credit terms to be offered to our customers. Our Group may also provide flexibility to certain of our customers in the settlement of their payment after the expiry of the relevant credit terms after assessing various factors including those mentioned above on a case-by-case basis.

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The following table sets forth the turnover days of the trade debtors (calculated as the average of beginning and ending total trade debtors as at the reporting dates divided by turnover for the years/period, multiplied by the number of days in the years/period) as at the reporting dates indicated:

	For the year ended 31 March				For the six months ended 30 September
	2012	2013	2014	2014	
	Trade debtors turnover days	59.1 days	60.9 days	70.7 days	68.0 days

For the years ended 31 March 2012 and 2013, our Group maintained similar level of trade debtors turnover days at approximately 59.1 days and 60.9 days respectively. The Group's trade debtors turnover days further increased to approximately 70.7 days for the year ended 31 March 2014 and then decreased to approximately 68.0 days. During the Track Record Period, our Group's trade debtors turnover days maintained largely at a range between approximately 60 and 70 days. Our Group's trade debtors turnover days were longer than the credit period we normally offered to our customers because our Group allowed certain flexibility in the settlement of our invoices in relation to a number of customers with whom our Group had a good track record after assessing various factors including those mentioned in the previous paragraphs under this section, in order to maintain an amicable working relationship with these customers. Since we have carefully assessed the credibility of each customer before taking up each project and as those customers whom we allow settlement flexibility are generally affiliated companies of listed companies in Hong Kong, the Directors are of the view that the likelihood that these customers to have financial difficulties, which in turn affect their ability to settle payments to us, is low. Going forward, our Group would strengthen our policies on collection of our receivables by closely monitoring the receivables aging list and apart from following up on the outstanding invoices by phone with our customers, our Group will also issue written reminders to customers once the account receivable is over 30 days due.

The following table illustrates the aging analysis of the trade debtors as at the reporting dates:

	As at 31 March			As at 30 September
	2012	2013	2014	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 month	31,081	57,421	52,733	60,976
1 to 2 months	10,523	20,631	–	9,885
2 to 3 months	14,340	–	–	7,617
Over 3 months	9,931	12,332	4,670	2,100
	<u>65,875</u>	<u>90,384</u>	<u>57,403</u>	<u>80,578</u>

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Included in the trade debtors were the balances of approximately HK\$34.8 million, HK\$33.0 million and HK\$4.7 million and HK\$19.6 million as at 31 March 2012, 2013 and 2014 and 30 September 2014, respectively which were past due but not impaired. When determining provision for doubtful debts, the Directors will consider each project on a case-by-case basis and will take into account the factors including but not limited to, the customers' credit history, customers' reputation, customers' financial condition, and results of follow-up procedures. As at the Latest Practicable Date, approximately 98.1% of the aforesaid balances were settled.

Deposits, prepayments and other receivables

Deposits, prepayments and other receivables mainly represent our deposits placed with an insurance company for issuance of surety bonds of our projects. Deposits, prepayments and other receivables decreased from approximately HK\$39.8 million as at 31 March 2012 to approximately HK\$8.1 million as at 31 March 2013, mainly due to the decrease in our deposits placed with an insurance company in relation to issuance of surety bonds as our Group intended to place our deposits with banks as restricted bank deposits instead. The deposits, prepayments and other receivables balance of our Group remained relatively stable at approximately HK\$7.6 million and HK\$6.4 million as at 31 March 2014 and 30 September 2014, respectively.

Retentions receivable

Retentions receivable represent the retention money required by our customers to secure our Group's due performance of the contracts. Typically, the amount of retention money depends on negotiation between the parties, which ranges from 5.0% to 10.0% of the value of works certified and is subject to a maximum retention of 5.0% of the total original contract value or a monetary cap.

The retentions receivable of our Group were approximately HK\$45.6 million, HK\$50.0 million, HK\$61.5 million and HK\$67.1 million as at 31 March 2012, 2013 and 2014 and 30 September 2014, respectively, which were generally in line with the increasing trend in the contract sum (excluding all contingent and/or provisional contract amounts) of our contracts on hand (including contracts in progress and contracts of which our work is yet to commence) which were approximately HK\$699.8 million, HK\$893.4 million, HK\$938.1 million and HK\$739.9 million as at 31 March 2012, 2013 and 2014 and 30 September 2014, respectively. Approximately HK\$16.6 million of the retentions receivable as at 30 September 2014 were settled up to the Latest Practicable Date.

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The following table illustrates the ageing analysis of the retentions receivable expected to be recovered within or after one year as at the end of each of the reporting dates:

	As at 31 March			As at 30
	2012	2013	2014	September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2014</i> <i>HK\$'000</i>
Within 1 year	19,328	4,449	39,101	54,822
After 1 year	<u>26,276</u>	<u>45,570</u>	<u>22,358</u>	<u>12,253</u>
Total retentions receivable	<u>45,604</u>	<u>50,019</u>	<u>61,459</u>	<u>67,075</u>

The release of retention money vary from contract to contract, which may be subject to, practical completion, the expiry of the defect liability period or a pre-agreed time period. As such our Directors consider that it is common these balances vary from period to period.

Similarly, when determining whether it is necessary to make impairment for retentions receivable, the Directors consider on a case-by-case basis and take into accounts the factors including but not limited to, the customers' credit history, customers' reputation, customers' financial condition, and results of follow-up procedures. For the years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014, our Group did not experience material difficulty in collecting the retentions receivable from customers and accordingly did not make any impairment in this regard.

Amounts due from shareholders

The amounts due from shareholders are unsecured, interest-free and have no fixed terms of repayment. As at 31 March 2012, 2013 and 2014, the balances were approximately HK\$70.1 million, HK\$63.8 million and HK\$91.5 million, respectively.

As at 30 September 2014, the amounts due from shareholders decreased to nil as it was offset by the dividends of HK\$186.0 million declared in September 2014.

Cash and bank balances

As at 31 March 2012, 2013, 2014 and 30 September 2014, we had cash and bank balances of approximately HK\$8.1 million, HK\$55.3 million, HK\$53.0 million and HK\$56.4 million, respectively, of which approximately HK\$8.1 million, HK\$44.6 million, HK\$49.9 million and HK\$54.8 million, respectively, were restricted bank balances. Such restricted bank balances were held for the purpose of the issuance of surety bonds for our projects. As at 31 January 2015, we had cash and bank balances of approximately HK\$60.6 million, of which approximately HK\$46.9 million was restricted bank balances.

It is expected that approximately HK\$31.5 million and HK\$3.9 million of the restricted bank balances will be released by 30 June 2015 and 31 December 2015, respectively. Additional bank deposit of HK\$3.8 million is expected to be required by 31 March 2015 for the issuance of surety bond for a project which was awarded subsequent to the Track Record Period which will be funded by internal resources and banking facilities of our Group. Our

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Group intends to facilitate net proceeds from Listing and its internal resources and banking facilities to fund the restricted bank deposit requirements for future projects to be awarded to us. For further details, please refer to the section “Future plans and use of proceeds – use of proceeds” in this prospectus.

Trade and other payables

Trade payables principally comprise payables to our suppliers and/or sub-contractors. Other payables and accruals mainly represent (i) accruals for staff salaries and allowances and (ii) other accrued direct costs such as insurance expenses for our projects. The trade creditors are generally affected by, including but not limited to, the amounts of works performed by our sub-contractors, materials provided by our suppliers, timing of payment invoices received from our sub-contractors and/or suppliers, credit periods granted by our sub-contractors and/or suppliers.

The following table sets out a breakdown of our trade and other payables as at each reporting date:

	As at 31 March			As at 30 September
	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade creditors	45,669	116,444	136,297	132,007
Other payables and accruals	17,564	24,581	33,522	28,886
Amounts due to shareholders	–	4,650	–	89,012
	<u>63,233</u>	<u>145,675</u>	<u>169,819</u>	<u>249,905</u>

The following table sets out the trade creditors turnover days (calculated as the average of beginning and ending trade creditors balances as at the end of respective reporting dates, divided by direct costs for the respective years/period, multiplied by the number of days in the respective years/period) as at the reporting dates:

	As at 31 March			As at 30 September
	2012	2013	2014	2014
Trade creditors turnover days	54.2 days	80.9 days	154.2 days	162.0 days

The Group’s trade creditors turnover days were approximately 54.2 days, 80.9 days, 154.2 days and 162.0 days as at 31 March 2012, 2013, 2014 and 30 September 2014 which were in line with our practice that payment is made after one to six months from the date of invoice. For details, please refer to the paragraph headed “Suppliers and sub-contractors” in the “Business” section in this prospectus. The increasing trend of the number of trade creditors turnover days during the Track Record Period was partly attributable to the payment arrangement with a sub-contractor which was engaged by us in several projects. Due to complexity of certain projects undertaken by this sub-contractor, it has taken us

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longer time to assess and agree on value of the additional works performed. The payment terms in relation to the outstanding sub-contracting charges due to this sub-contractor were agreed between the Company and the sub-contractor subsequent to the Track Record Period. After excluding this sub-contractor, the Group's trade creditors turnover days were approximately 54.0 days, 72.9 days, 117.4 days and 109.7 days as at 31 March 2012, 2013, 2014 and 30 September 2014, respectively. This relatively high and increasing trade creditors turnover days can be attributable to the willingness of some of our sub-contractors to allow us a longer period to settle the payment in light of (i) the long-term relationship between us and our sub-contractors; (ii) the growing size of our projects; and (iii) the fact that we do not normally impose retention money and liquidated damages requirements on our sub-contractors to secure their due performance of the contracts as some other contractors in the industry do.

Notwithstanding this relatively high trade creditors turnover days during the Track Record Period, we continue to maintain a good working relationship with our sub-contractors and continue to cooperate with them on various projects on a recurring basis. During the Track Record Period, we did not have any material dispute with any of our suppliers or sub-contractors in relation to any late payment or long payment term.

The following table shows the aging analysis of the trade creditors as at each reporting dates:

	As at 31 March			As at 30
	2012	2013	2014	September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2014</i> <i>HK\$'000</i>
Within 1 month	23,407	34,483	24,861	21,611
1 to 2 months	16,556	23,111	23,660	17,798
2 to 3 months	1,476	36,370	32,378	21,183
Over 3 months	<u>4,230</u>	<u>22,480</u>	<u>55,398</u>	<u>71,415</u>
	<u>45,669</u>	<u>116,444</u>	<u>136,297</u>	<u>132,007</u>

Other payables and accruals

Other payables and accruals represent accrued construction costs and accrued expenses relating to wages of our staff and professional fees. As at 31 March 2012, 2013 and 2014 and 30 September 2014, the other payables and accruals remained relative stable at approximately HK\$17.6 million, HK\$24.6 million, HK\$33.5 million and HK\$28.9 million, respectively.

Amounts due to shareholders

The amounts due to shareholders are unsecured, interest-free and have no fixed terms of repayment. As at 31 March 2012, 2013 and 2014, the balances were nil, approximately HK\$4.7 million and nil respectively. As at 30 September 2014, the balances increased to

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approximately HK\$89.0 million as our Group declared dividends of HK\$186.0 million to its shareholders in September 2014 which was partly offset by the amounts due from shareholders of approximately HK\$91.5 million as at 31 March 2014.

Bank overdrafts – secured

At 31 March 2012, 2013 and 2014 and 30 September 2014, bank overdrafts of approximately HK\$12.9 million, nil, HK\$0.1 million and nil were utilised for short term working capital purpose and which were secured and guaranteed by:

- legal charge with assignment of all rentals in relation to certain properties held by related companies, namely Paramount Design & Construction Limited, Angus Limited, In Holdings Limited and KPJV Limited;
- charge over the fixed deposits placed with banks amounting to HK\$6.0 million and approximately HK\$9.1 million at 31 March 2014 and 30 September 2014; and
- unlimited personal guarantees provided by shareholders of the Group.

The Directors consider that this previous arrangement could provide more flexibility to our Group compared with financing through bank borrowings as our Group (i) did not need to apply for bank borrowings every time we required money for only a short period of time (which normally was no more than one month each time); and (ii) was not required to commit to a fixed interest payment for a fixed period of time in the case of bank borrowings.

The pledge of properties and unlimited personal guarantees provided by shareholders of the Group will be replaced by guarantees of the Company upon listing.

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Obligations under finance leases

We acquired certain machinery and motor vehicles by way of finance lease arrangements through financial institutions. As at 31 March 2012, 2013 and 2014 and 30 September 2014, the obligations under finance leases (including non-current and current portions) were approximately HK\$0.2 million, HK\$12.8 million, HK\$9.9 million and HK\$8.4 million respectively. Set out below is our Group's obligations under finance leases as at the end of respective reporting dates:

	As at 31 March			As at 30
	2012	2013	2014	September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2014</i> <i>HK\$'000</i>
Minimum lease payments				
Within 1 year	129	3,278	3,236	3,110
After 1 year but within 2 years	96	3,236	3,027	3,027
After 2 year but within 5 years	<u>–</u>	<u>7,269</u>	<u>4,242</u>	<u>2,729</u>
	225	13,783	10,505	8,866
Less: total future interest expenses	<u>(36)</u>	<u>(1,023)</u>	<u>(617)</u>	<u>(452)</u>
	<u>189</u>	<u>12,760</u>	<u>9,888</u>	<u>8,414</u>

The present value of obligations under finance leases

	As at 31 March			As at 30
	2012	2013	2014	September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2014</i> <i>HK\$'000</i>
Within 1 year	108	2,871	2,932	2,859
Between 1 and 2 years	81	2,933	2,826	2,877
Between 2 and 5 years	<u>–</u>	<u>6,956</u>	<u>4,130</u>	<u>2,678</u>
	<u>189</u>	<u>12,760</u>	<u>9,888</u>	<u>8,414</u>

The underlying interest rates of these obligation under finance leases ranged from 3.25% to 3.75% for the years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014.

Tax payable

The tax payable balances of our Group were approximately HK\$11.8 million, HK\$14.2 million, HK\$9.6 million and HK\$14.5 million as at 31 March 2012, 2013 and 2014 and 30 September 2014 respectively. There were no material unrecognised deferred tax assets and liabilities as at 31 March 2012, 2013 and 2014 and 30 September 2014.

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Loans from shareholders

The loans from shareholders remained unchanged at HK\$9.0 million as at 31 March 2012, 2013 and 2014 and 30 September 2014 respectively. The loans are unsecured, interest-free and have no fixed repayment terms.

Contingent Liabilities

At 31 March 2012, 2013 and 2014 and 30 September 2014, our Group had contingent liabilities in respect of surety bonds to guarantee for the due and proper performance of the obligations undertaken by our Group's subsidiaries for projects amounting to approximately HK\$54.9 million, HK\$58.0 million, HK\$90.7 million and HK\$98.3 million, respectively.

During the Track Record Period, works carried out for the Ma Tau Wai Road Project commenced in August 2012 and were scheduled to be completed in July 2013 according to contract. Nonetheless, abnormal ground settlement occurred adjacent to the site (the "Incident") during the early stages of works, resulting in a suspension of our works for approximately five months from February to June 2013. Remedial works amounting to approximately HK\$3.4 million had been performed and we were granted consent by the Buildings Department to resume work in June 2013. Our works for this project was completed in February 2015. For further details of the Incident, please refer to the paragraph headed "Business – Legal and Administrative Proceedings and Possible Claims – (iv) Potential claims and litigations against our Group as at the Latest Practicable Date – Ma Tau Wai Road Project" in this prospectus.

During the Track Record Period, foundation works carried out for a project of the Group at Hing Hon Road (the "Site") commenced in March 2014 and was originally expected to be completed in November 2014 according to the project's letter of award. On 4 September 2014, a building adjacent to the Site (the "Building") tilted towards the Site. Foundation works at the Site had been suspended since 5 September 2014 and remedial works were being performed. Taking into account of the progress of the remedial works and circumstances of the incident, the directors of the Group estimate that the project will be delayed by not more than sixteen months, and in the event that the customer does not grant an extension to the completion of the contract in accordance with its terms, the Group may face claims for liquidated damages of up to HK\$9.8 million. As advised by the Legal Counsel, as a matter of law, the Group does owe the owners or occupiers of the Building a duty to take reasonable care in carrying out of the foundation works so as to not cause any damage to the Building. However, there is no evidence of any breach of such duty at the current stage. Whilst the possibility exists that civil action may be taken against the Group by the owners or occupiers of the Building, given that (i) the foundation works were being executed according to the design of the engineer; (ii) there was no current evidence of any breach of duty on the part of the Group; and (iii) no damage to the Building had yet been established, the prospect of a successful claim is likely to be limited both in terms of liability and quantum. Up to the date of issue of this prospectus, the Group had not received any claim for damages from any third party arising from or in connection with this incident nor any claim for liquidated damages from our customer.

Save as disclosed above, we had no other material contingent liabilities as at 31 March 2012, 2013 and 2014 and 30 September 2014.

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Disclaimer

Our Directors confirm that (i) there had not been any material change in our indebtedness and contingent liabilities since 31 January 2015 and up to the Latest Practicable Date; (ii) our Directors are not aware of any material defaults in payment of our trade and other payables and bank overdrafts during the Track Record Period and up to the Latest Practicable Date; (iii) the finance leases and bank facilities are subject to standard banking conditions; (iv) our Group has not received any notice from banks indicating that they might withdraw or downsize the bank facilities and (v) there had been no material adverse change in our financial or trading position or prospects since 30 September 2014 and up to the date of this prospectus after performing all the due diligence work which our Directors consider appropriate, save for the information as disclosed in the paragraph headed “Recent Development” in the section headed “Summary” in this prospectus.

Save as disclosed in the paragraph “Indebtedness” in this section, we did not have, at the close of business on 31 January 2015, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

INDEBTEDNESS

The following table sets out our Group’s indebtedness as at the respective reporting dates:

	As at 31 March		As at 30 September	As at 31 January
	2012	2013	2014	2015
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
				(Unaudited)
Current Liabilities				
Amounts due to shareholders	–	4,650	–	89,012
Obligation under finance lease	108	2,871	2,932	2,859
Bank overdraft – secured	<u>12,913</u>	<u>–</u>	<u>131</u>	<u>–</u>
	<u>13,021</u>	<u>7,521</u>	<u>3,063</u>	<u>91,871</u>
				<u>89,996</u>
Non-Current Liabilities				
Loans from shareholders	9,000	9,000	9,000	9,000
Obligation under finance lease	<u>81</u>	<u>9,889</u>	<u>6,956</u>	<u>5,555</u>
	<u>9,081</u>	<u>18,889</u>	<u>15,956</u>	<u>14,555</u>
				<u>13,607</u>
TOTAL	<u>22,102</u>	<u>26,410</u>	<u>19,019</u>	<u>106,426</u>
				<u>103,603</u>

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As at 31 March 2012, 2013 and 2014, our Group's indebtedness position remained relatively stable at approximately HK\$22.1 million, HK\$26.4 million and HK\$19.0 million, respectively. Our Group's indebtedness position increased from approximately HK\$19.0 million as at 31 March 2014 to approximately HK\$106.4 million as at 30 September 2014, mainly due to the increase in amounts due to shareholders from nil as at 31 March 2014 to approximately HK\$89.0 million as at 30 September 2014. Such increase in amounts due to shareholders was mainly due to the unsettled amounts of dividend resulted from the declaration of dividends in September 2014. As at 31 January 2015, our Group's indebtedness was approximately HK\$103.6 million which remained relatively stable as compared to the indebtedness of approximately HK\$106.4 million as at 30 September 2014.

Save for the bank overdraft and obligation under finance lease stated in the table above, we did not have any bank borrowings during the Track Record Period. As at the Latest Practicable Date, we had total banking facilities of HK\$150 million, of which the unutilised and unrestricted banking facilities amounted to approximately HK\$110 million. As at the Latest Practicable Date, there were certain pledge of properties and personal guarantees provided by our Controlling Shareholders in relation to the bank facilities granted to our Group. Our Group has obtained consent from the banks to release the remaining guarantees provided by our Controlling Shareholders and pledge over properties owned by our Controlling Shareholders in respect of our bank borrowings which will be replaced by the corporate guarantee provided by our Company upon Listing.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, our Group does not have any material off-balance sheet commitments and arrangements.

KEY FINANCIAL RATIO

	As at/for the year ended			As at/for the
	31 March			six months
	2012	2013	2014	ended 30 September 2014
Current ratio ¹	2.5	1.8	2.1	1.2
Gearing ratio ²	13.4%	18.6%	9.4%	273.4%
Debt to equity ratio ³	8.5%	N/A	N/A	128.5%
Interest coverage ⁴	2,207.8	273.3	178.1	112.2
Return on assets ⁵	20.4%	22.7%	15.0%	N/A
Return on equity ⁶	35.7%	55.9%	30.1%	N/A
Net profit margin ⁷	16.1%	16.9%	16.0%	11.9%

Notes:

1. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the reporting dates.
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 reporting dates.
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 reporting dates.
4. Interest coverage is calculated by the profit before interest and tax divided by the interest expense for the respective year/period.

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5. Return on assets is calculated by the profit and total comprehensive income for the year/period divided by the total assets as at the respective year/period end and multiplied by 100%.
6. Return on equity is calculated by the profit and total comprehensive income for the year/period divided by the total equity as at the respective year/period end and multiplied by 100%.
7. Net profit margin is calculated by the profit and total comprehensive income divided by the turnover for the respective years/period and multiplied by 100%.

Current ratio

The Group's current ratio decreased from approximately 2.5 as at 31 March 2012 to approximately 1.8 as at 31 March 2013 mainly because of the increase in trade creditors.

The Group's current ratio then subsequently increased to approximately 2.1 as at 31 March 2014 mainly because of (i) the increase in gross amounts due from customers for contract work; and (ii) the decrease in gross amounts due to customers for contract work.

The Group's current ratio as at 30 September 2014 decreased to approximately 1.2 from approximately 2.1 as at 31 March 2014, primarily due to the decrease in amounts due from shareholders of HK\$91.5 million and the increase in amounts due to shareholders of approximately HK\$89.0 million respectively, both of which were mainly attributable to the declaration of dividends of HK\$186.0 million to our Group's shareholders in September 2014.

Gearing ratio

The gearing ratio of our Group increased from approximately 13.4% as at 31 March 2012 to approximately 18.6% as at 31 March 2013, primarily due to the decrease in equity as a result of the declaration of dividends of approximately HK\$102.3 million by our Group to its shareholders, despite the fact that our Group recorded a net profit of approximately HK\$79.3 million during the period.

The gearing ratio then decreased to approximately 9.4% as at 31 March 2014, primarily due to the increase in equity as our Group recorded a net profit of approximately HK\$61.0 million while it did not declare any dividend for the corresponding period.

The gearing ratio subsequently increased to approximately 273.4% as at 30 September 2014 as a result of (i) the increase in debt level; and (ii) the decrease in equity, both of which were primarily due to the declaration of dividends of HK\$186.0 million in September 2014. Of declared dividends of approximately HK\$186.0 million, approximately HK\$96.7 million were used to set off against amounts due from shareholders, approximately HK\$30.0 million was paid out of payments received from our customers subsequent to the Track Record Period, and the remainder of approximately HK\$59.3 million was capitalised under the capitalisation issue as detailed in the section headed "History, Reorganisation and Corporate Structure" in this prospectus. On the one hand, the unsettled amounts of the dividend resulted in the increase in amounts due to shareholders, which in turn increased the debt level. On the other hand, such dividend was declared out of the Group's reserve, causing the Group's equity to decrease despite the fact that our Group recorded a net profit of approximately HK\$22.1 million during the six months ended 30 September 2014.

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Debt to equity ratio

The Group recorded a debt-to-equity ratio of approximately 8.5% and 128.5% as at 31 March 2012 and 30 September 2014 respectively. As at 31 March 2013 and 2014, our Group achieved a net cash position.

The debt-to-equity ratio of our Group improved from approximately 8.5% as at 31 March 2012 to net cash position as at 31 March 2013 primarily due to (i) an increase in cash generated from operation mainly as a result of increase in net profit and (ii) a decrease in bank overdrafts.

As at 30 September 2014, the debt-to-equity ratio increased and turned from net cash position as at 31 March 2014 to approximately 128.5% as at 30 September 2014, as a result of (i) the increase in debt level; and (ii) the decrease in equity, primarily due to the declaration of dividends of HK\$186.0 million during the corresponding period, as explained under the paragraph headed “*Gearing ratio*” above.

Interest coverage

The Group’s interest coverage multiple was approximately 2,207.8, 273.3, 178.1 and 112.2 for the years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014 respectively. The interest coverage of our Group decreased to approximately 273.3 for the year ended 31 March 2013 primarily due to the increase in finance costs as a result of an addition of machinery by way of finance lease. The interest coverage decreased to approximately 178.1 for the year ended 31 March 2014 and further to approximately 112.2 for the six months ended 30 September 2014 mainly due to the decrease in profit before interest and tax for the respective periods.

Return on assets

The Group’s return on total assets is approximately 20.4%, 22.7% and 15.0% as at 31 March 2012, 31 March 2013 and 31 March 2014 respectively, which was mainly driven by the fluctuation of gross profit as a result of the fluctuation of number of projects contributing to the turnover of our Group for the respective years.

Return on equity

The Group’s return on equity was approximately 35.7%, 55.9% and 30.1% as at 31 March 2012, 2013 and 2014, respectively, which was mainly driven by (i) the fluctuation of net profit and (ii) fluctuation of equity as at 31 March 2012, 2013 and 2014 as explained under the paragraph headed “*Gearing ratio*” above.

Net profit margin

The Group’s net profit margin remained relatively stable at approximately 16.1%, 16.9%, 16.0% for the years ended 31 March 2012, 2013 and 2014.

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Our Group's net profit margin for the six months ended 30 September 2014 decreased to approximately 11.9%, mainly because of (i) the increase in labour costs due to salary increment; (ii) recognition of expected losses resulting from the estimated additional costs for remedial works on Hing Hon Road Project; and (iii) the fact that part of the listing expenses was recorded.

RELATED PARTY TRANSACTIONS

With respect to the material related parties transactions set out in note 23 to the Accountant's Report in Appendix I to this prospectus, our Directors believe that such transactions were conducted on normal commercial terms and such terms were no less favourable to our Group than terms available to Independent Third Parties and were fair and reasonable and in the interests of our shareholders as a whole.

FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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 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.

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 September 2014, 0%, 10%, 0% and 38% of the total trade debtors was due from the Group's largest customer respectively and 0%, 37%, 30% and 61% of the total trade debtors was due from the Group's five largest customers respectively.

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 14-30 days from the date of billing. Normally, the Group does not obtain collateral from customers.

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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. 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.

Given the majority of our major customers are generally affiliated companies of listed companies in Hong Kong, our Directors are of the view that the likelihood that these customers to have financial difficulties, which in turn affect their ability to settlement of payments to us, is low, although the trade debtor turnover days of our Group may be higher than our peer competitors. Moreover, as our Group's trade debtor turnover days is shorter than its trade creditor turnover days, the turnaround time for collecting payments from our Group's debtors is shorter than making payments to its creditors, hence our Directors consider that the higher trade debtor turnover days does not give rise to potential adverse impact on our Group's liquidity. During the Track Record Period, we did not encounter any difficulty in maintaining our Group's liquidity position as a result of such receivable collection arrangement and are able to maintain net current asset positions as at 31 March 2012, 2013 and 2014 and 30 September 2014.

To the best of the knowledge of our Directors, our Group had not experienced any difficulties in obtaining external financing during the Track Record Period. This is evidenced by the fact that the credit facility obtained by our Group from the bank has increased from HK\$11.0 million for the year ended 31 March 2012 to HK\$150.0 million as at the Latest Practicable Date.

Our Directors believe that our Group has sufficient resources to meet out debt obligation and working capital needs and the Sole Sponsor also takes comfort in the sufficiency of working capital of our Group, in particular after taking into account the net proceeds from the Listing.

Interest rate risk

At 31 March 2012, 2013 and 2014 and 30 September 2014, our Group did not hold any assets and liabilities which are exposed to significant interest risk.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted net tangible assets of our Group which has been prepared for the purpose of illustrating the effect of the Share Offer on the net tangible assets of our Group attributable to the equity holders of the Company as if the Share Offer had taken place on 30 September 2014. The unaudited pro forma statement of adjusted net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the net tangible assets of our Group after the Listing or at any future dates.

FINANCIAL INFORMATION

	Net tangible assets of our Group as at 30 September 2014⁽¹⁾ HK\$'000	Estimated net proceeds from the Listing⁽²⁾ HK\$'000	Unaudited pro forma statement of adjusted net tangible assets of our Group⁽³⁾ HK\$'000	Unaudited pro forma statement of adjusted net tangible assets of our Group per share⁽⁴⁾ HK\$
Based on an Offer Price of HK\$0.8 per share	38,923	105,223	144,146	0.18
Based on an Offer Price of HK\$0.4 per share	38,923	45,383	84,306	0.11

Notes:

- (1) The combined net tangible assets attributable to equity holders of our Company as at 30 September 2014 is compiled based on the combined financial information included in the Accountants' Report as set out in Appendix I to this prospectus. The Group had no goodwill or other intangible assets as at 30 September 2014.
- (2) The estimated net proceeds from the Share Offer are based on the Offer Price of HK\$0.4 per Offer Share or HK\$0.8 per Offer Share, being the low or high end of the stated Offer Price range, after deduction of the underwriting fees and other listing-related expenses of approximately HK\$18.6 million or HK\$22.8 million based on the Offer Price of HK\$0.4 per Offer Share or HK\$0.8 per Offer Share respectively (excluding approximately HK\$2.9 million listing-related expenses which have been accounted for prior to 30 September 2014 and approximately HK\$0.6 million or HK\$1.6 million underwriting fees borne by the Selling Shareholders for the sale of Sale Shares based on the Offer Price of HK\$0.4 per Offer Share or HK\$0.8 per Offer Share respectively) payable by our Group.
- (3) No adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2014.
- (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 800,000,000 Shares were in issue immediately following the completion of the Share Offer. It does not take into account of any Shares that may be issued pursuant to the issuing mandate or the exercise of the Adjustment Options, or any Shares which may be repurchased pursuant to the repurchase mandate.

FINANCIAL INFORMATION

PROFIT FORECAST FOR THE YEAR ENDING 31 MARCH 2015

**For the year ending
31 March 2015**

Forecast combined profit attributable to equity holders of our Company ⁽¹⁾	Not less than HK\$68 million
Unaudited pro forma forecast earnings per Share ⁽²⁾	Not less than HK\$0.085

Notes:

- (1) The bases and assumptions on which the above forecast combined profit attributable to equity holders of our Company for the year ending 31 March 2015 has been prepared based on the audited combined results of our Company for the six months ended 30 September 2014, unaudited combined results of our Company for the five months ended 28 February 2015 and forecast combined results of our Company for the period from 1 March 2015 to 31 March 2015.
- (2) The calculation of the unaudited pro forma forecast earnings per Share is based on the forecast combined profit attributable to equity holders of our Company for the year ending 31 March 2015 and on the assumption that a total of 800,000,000 Shares were in issue during the year ending 31 March 2015, taking no account of any Shares which may be issued upon the exercise of the Adjustment Options.

LISTING EXPENSES

Assuming the Adjustment Options are not exercised and assuming the Offer Price of HK\$0.6 per Share, being the mid-point of the indicative Offer Price range, the total amount of listing expenses and commissions (without taking into account any discretionary bonus) in connection with the Share Offer is estimated to be approximately HK\$24.7 million of which approximately HK\$23.6 million will be borne by our Company and approximately HK\$1.1 million will be borne by the Selling Shareholders.

Of the listing expenses borne by our Company, approximately HK\$8.1 million is directly attributable to the issue of New Shares to the public and to be accounted for as a deduction from equity and approximately HK\$15.5 million is to be charged to profit or loss of our Group. The listing expenses of approximately HK\$2.3 million were charged to the profit or loss of our Group for the six months ended 30 September 2014, and approximately HK\$7.8 million are expected to be charged to the profit or loss of our Group for the six months ending 31 March 2015.

FINANCIAL INFORMATION

DIVIDEND POLICY

During the years ended 31 March 2012, 2013 and 2014 and six months ended 30 September 2014, dividends of approximately HK\$12.3 million, HK\$102.3 million, nil and HK\$186.0 million were declared by In Construction Limited, respectively. Of the declared dividends of approximately HK\$186.0 million, approximately HK\$96.7 million were used to set off against amounts due from shareholders, approximately HK\$30.0 million was paid out of payments received from our customers subsequent to the Track Record Period, and the remainder of approximately HK\$59.3 million was capitalised under the capitalisation issue as detailed in the section headed “History, Reorganisation and Corporate Structure” in this prospectus.

After completion of the Share Offer, our Directors may at their discretion declare dividends to our Shareholders subject to our results of operations, financial condition and other factors which our Directors deem relevant. We currently intend to recommend dividends of not less than 30% of our profit and total comprehensive income attributable to the equity holders of our Group after the Listing. However, we cannot assure you that we will be able to declare or distribute dividends in any amount each year or in any year.

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

The paragraph headed “Business – Business Strategies” in this prospectus sets out a detailed description of our future plans.

USE OF PROCEEDS

We estimate that the aggregate net proceeds from the Share Offer, after deducting underwriting commissions and estimated expenses paid and payable by our Company in connection thereto, to be approximately HK\$72.4 million, assuming the Adjustment Options are not exercised and assuming the Offer Price of HK\$0.6 per Share, being the mid-point of the proposed Offer Price range of HK\$0.4 to HK\$0.8 per Share. Our Directors presently intend to apply such net proceeds as follows:

- approximately HK\$10.9 million or approximately 15.0% of the net proceeds for hiring of additional staff in the next three years in order to increase our capacity to cope with expected business growth, including a project director, several project managers, engineers, safety officers and site agents;
- approximately HK\$14.5 million or approximately 20.0% of the net proceeds to finance the acquisition of additional machinery and equipment for our foundation works, which include four sets of crawler cranes, in the next three years;
- approximately HK\$39.8 million or approximately 55.0% of the net proceeds will be used as financing for the issue of surety bonds for future projects. Generally banks will require us to place a deposit of not less than the amount of the surety bond with them in order for them to issue the surety bond (which usually amounts up to 10.0% of the contract value) to our customers, and the utilisation of net proceeds from the Share Offer will provide us with additional liquidity required to satisfy the deposits necessary for the issue of surety bonds for future contracts, thereby enhancing our capacity to take up contracts with larger contract sums; and
- approximately HK\$7.2 million or approximately 10.0% of the net proceeds will be used as general working capital of our Group.

The allocation of the proceeds above will be adjusted in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range. If the Adjustment Options are exercised in full, we estimate that we will receive additional net proceeds of approximately HK\$17.2 million, assuming an Offer Price of HK\$0.6 per Share, being the mid-point of the Offer Price range stated in this prospectus. If the Offer Price is fixed at HK\$0.8 per Share, being the high end of the stated Offer Price range, and assuming that the Adjustment Options are not exercised, our net proceeds will be increased by approximately HK\$29.9 million to approximately HK\$102.3 million. In such circumstances, we currently intend to use such additional proceeds in the same proportions as set out above. If the Offer Price is fixed at HK\$0.4 per Share, being the low end of the stated Offer Price range, and assuming that the Adjustment Options are not exercised, our net proceeds will be decreased by approximately HK\$29.9 million, to approximately HK\$42.5 million. In the event that the Adjustment Options are exercised in full, we intend

FUTURE PLANS AND USE OF PROCEEDS

to apply the additional net proceeds to the above uses in the proportions stated above. Under such circumstances, we currently intend to reduce the net proceeds to the above purposes on a pro-rata basis.

To the extent that the net proceeds of the Share Offer are not immediately applied to the above purposes, it is our present intention that such net proceeds will be deposited into interest-bearing bank accounts with licensed banks and/or financial institutions in Hong Kong.

We estimate that the net proceeds to the Selling Shareholders from the Sale Shares (after deduction of proportional underwriting fees and estimated expenses payable by our Selling Shareholders in relation to the Share Offer, and assuming an Offer Price of HK\$0.6 per Offer Share, being the mid-point of the indicate Offer Price range) will be approximately HK\$22.9 million. Our Company will not receive any of the proceeds from the sale of the Sale Shares.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

Sole Bookrunner and Sole Lead Manager

Oriental Patron Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

We are initially offering 20,000,000 Shares for subscription by the public in Hong Kong on the terms and subject to the conditions set out in this prospectus and the Application Forms. Pursuant to the Public Offer Underwriting Agreement, the Public Offer is fully underwritten on a several basis, not jointly nor jointly and severally, by the Public Offer Underwriters in accordance with their respective Public Offer Underwriting Commitment (as defined in the Public Offer Underwriting Agreement) set out in the Public Offer Underwriting Agreement. The Public Offer Underwriting Agreement is conditional upon, amongst other things:

- (a) the Listing Committee granting listing of, and permission to deal in, our 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 any of the Adjustment Options);
- (b) the Placing Underwriting Agreement having been duly executed and delivered and having become unconditional and not having been terminated in accordance with its terms (save as regards any condition relating to the Public Offer Underwriting Agreement having become unconditional); and
- (c) certain other conditions set out in the Public Offer Underwriting Agreement.

Grounds for termination

The obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement to subscribe or procure subscribers for the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination at any time prior to 8:00 a.m. on the Listing Date. The Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) may in their sole and absolute discretion, upon giving notice in writing to our Company, terminate the Public Offer Underwriting Agreement with immediate effect upon the occurrence of any of the following events:

- (a) there has come to the notice of the Sole Sponsor and the Sole Bookrunner:
 - (i) that any statement contained in any of the post hearing information pack, this prospectus, the Application Forms and the formal notice (including any supplement or amendment thereto) or any other document published or to be published by our Company in connection with the Share Offer was, when it

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was issued, or has become, untrue, incorrect, inaccurate or misleading in any material respect, or that any forecasts, estimates, expressions of opinion, intention or expectation expressed in the post hearing information pack, this prospectus, the Application Forms, formal notice and/or any announcements issued by our Company in connection with the Public Offer (including any supplement or amendment thereto) are not, in the sole and absolute opinion of the Sole Sponsor and the Sole Bookrunner, fair and honest nor based on reasonable assumptions; or

- (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, not having been disclosed in this prospectus and the Application Forms, result in a misstatement in or constitute a material omission from, any of this prospectus, the Application Forms, the formal notice and/or any announcements issued by our Company in connection with the Public Offer (including any supplement or amendment thereto); or
- (iii) any material breach of any of the obligations, Warranties (as defined in the Public Offer Underwriting Agreement), undertakings imposed upon any party to the Public Offer Underwriting Agreement or the Placing Underwriting Agreement (other than any of the Public Offer Underwriters or the Placing Underwriters); or
- (iv) any event, act or omission which gives or is likely to give rise to any liability of a material nature of any of the Warrantors (as defined in the Public Offer Underwriting Agreement) pursuant to the indemnities referred to in the Public Offer Underwriting Agreement; or
- (v) any material adverse change or development involving a material adverse change in the earnings, business, operations, assets, liabilities, conditions, business affairs, management, prospects, Shareholders' equity, profits, losses or financial or trading position or performance of any member of our Group; or
- (vi) any material breach of any of the Warranties or undertakings given by any of the Warrantors under the Public Offer Underwriting Agreement or any matter or event showing any of such Warranties or undertakings to be untrue, incorrect, inaccurate or misleading in any material respect when given or repeated; or
- (vii) approval by the Listing Committee of the listing of, and permission to deal in, our Shares in issue and to be issued or sold under the Share Offer is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (viii) our Company withdraws this prospectus (and/or any other documents used in connection with the contemplated subscription or sale of the Offer Shares) or the Share Offer; or

UNDERWRITING

- (b) there develops, occurs, exists or comes into force:
- (i) any act of force majeure or any event, or series of events, beyond the control of the Sole Sponsor and the Sole Bookrunner including, without limitation, acts of government, economic sanctions, strikes, lock-outs, fire, explosion, flooding, civil commotion, riots, public disorder, acts of war, acts of God, acts of terrorism, outbreak of diseases or epidemics (including, but not limited to, SARS and H5N1 and such related/mutated forms) or interruption or delay in transportation and any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or any other state of emergency or calamity or crisis in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the Cayman Islands and the BVI (collectively, the “**Relevant Jurisdictions**”); or
 - (ii) any change or development involving a prospective change or development, or any event or series of events likely to result in any change or development involving a prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency or market conditions or equity securities or stock or other financial market condition or any monetary or trading settlement system or matters and/or disaster in the Relevant Jurisdictions (including, without limitation, any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange, the Shanghai Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the American Stock Exchange or the Nasdaq National Market or a material devaluation of Hong Kong dollars or Renminbi against any foreign currencies (including but not limited to a change in the system under which the value of the Hong Kong currency is linked to that of the United States), or any suspension of trading of any of the securities of our Company on any exchange or over-the-counter market or any disruption in securities settlement or clearance services or procedures in or affecting any of the Relevant Jurisdictions); or
 - (iii) any general moratorium on commercial banking activities in any of the Relevant Jurisdictions, or there is any disruption in commercial banking, foreign exchange trading or securities settlement or clearance services, procedures or matters in those jurisdictions; or
 - (iv) any new law or change or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any of the Relevant Jurisdictions; or
 - (v) the imposition of economic sanctions, in whatever form, directly or indirectly, by the Relevant Jurisdictions; or

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- (vi) a change or development occurs involving a prospective change in taxation or exchange control, currency exchange rates or foreign investment regulations (or the implementation of any exchange control) (including without limitation a material devaluation of the Hong Kong dollar, the Renminbi, the United States dollar or the British pound sterling and any disruption in monetary, trading or securities settlement or clearance services, procedures or matters) in any of the Relevant Jurisdictions adversely affecting an investment in our Shares; or
- (vii) any actions, suits, claims (whether or not any such claim involves or results in any actions or proceedings), demands, investigations, judgement, awards and proceedings, joint or several, from time to time instituted, made or brought or threatened or alleged to be instituted, made or brought against or otherwise involve (together, the “**Actions**”) of any third party being threatened or instigated against any member of our Group; or
- (viii) a Director being convicted with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (ix) the chairman or chief executive officer of our Company vacating his or her office in circumstances where the operations of our Group may be affected; or
- (x) the commencement by any regulatory or political body or organisation of any Action against a Director or any member of our Group or an announcement by any regulatory or political body or organisation that it intends to take any such Action; or
- (xi) a contravention by any member of our Group of the Companies Ordinance or the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Companies Law or any of the Listing Rules or applicable laws; or
- (xii) a prohibition on our Company for whatever reason from offering, allotting or issuing or selling any of our Shares pursuant to the terms of the Share Offer; or
- (xiii) non-compliance of this prospectus and the Application Forms or any aspect of the Share Offer with the Listing Rules or any other applicable law; or
- (xiv) other than with the approval of the Sole Sponsor and the Sole Bookrunner, the issue or requirement to issue by our Company of a supplementary prospectus (or any other documents used in connection with the contemplated subscription of our Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

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- (xv) 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
- (xvi) an order or a petition is presented for the winding up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed 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; or
- (xvii) any change or prospective change, or a materialisation of, any of the risks set out in the section headed "Risk Factors" in this prospectus;

which, individually or in the aggregate, in the sole and absolute opinion of the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) acting in good faith:

- (aa) is or is likely to or will or may have a material adverse effect on the business, financial, trading or other condition or prospects of our Company or our Group as a whole or to any present or prospective Shareholder of our Company in his/her/its capacity as such; or
- (bb) has or will have or may have a material adverse effect on the success of the Share Offer or the level of Offer Shares being applied for, accepted, subscribed for or purchased or the distribution of Offer Shares or dealings in our Shares in the secondary market; or
- (cc) makes it inadvisable, inexpedient or impracticable to proceed with or market the Share Offer or the delivery of the Offer Shares on the terms and in the manner contemplated in this prospectus; or
- (dd) has or will or is likely to have the effect of making any part of the Public Offer Underwriting Agreement 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 Public Offer Underwriting Agreement.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertaking by us

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities

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will be completed within six months from the Listing Date), except pursuant to the Share Offer, and the exercise of the Over-allotment Option and in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertaking 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 that except pursuant to the Share Offer (including the offer for sale of the Sale Shares by the Selling Shareholders) and the Stock Borrowing Agreement, he/she/it will not and shall procure that the relevant registered holder(s) will not, without the prior written consent of the Stock Exchange and unless in compliance with the requirements of the Listing Rules:

- (a) in the period commencing on the date by reference to which disclosure of his/her/its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date (“**First Six-month Period**”), 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 securities of our Company in respect of which he/she/it is shown by this prospectus to be the beneficial owner; and
- (b) in the period of six months commencing on the date on which the First Six-month Period 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 securities referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would then cease to be our Company’s controlling shareholder for the purposes of the Listing Rules.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has further undertaken to the Stock Exchange and our Company that within the period commencing on the date by reference to which disclosure of his/her/its shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/she/it shall:

- (a) when he/she/it pledges or charges any securities of our Company or interests therein beneficially owned by him/her/it in favor of any authorised institution pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and
- (b) when he/she/it receives indications, either verbal or written, from the pledgee or chargee that any of the securities of our Company pledged or charged will be disposed of, immediately inform our Company of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed by any of our Controlling Shareholders.

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Undertakings pursuant to the Public Offer Underwriting Agreement

Undertaking by us

Pursuant to the Public Offer Underwriting Agreement, we have undertaken to the Sole Sponsor and the Sole Bookrunner and each of the Public Offer Underwriters that we will not, and each of our Controlling Shareholders has undertaken to the Sole Sponsor, the Sole Bookrunner and each of the Public Offer Underwriters to procure that our Company will not, except pursuant to the Share Offer, without the prior written consent of the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) and unless in compliance with the Listing Rules, at any time from the date of the Public Offer Underwriting Agreement to the expiry of the First Six-month Period:

- (a) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase any of its share capital or other securities of our Company or any of our subsidiaries or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein); or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein; or
- (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or
- (d) offer to or agree to do any of the foregoing or announce any intention to do so, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise,

and in the event of us doing any of the foregoing during the period of six months immediately following the expiry of the First Six-month Period, we will, and each of our Controlling Shareholders will procure our Company to, take all steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company.

Undertaking by our Controlling Shareholders

Each of our Controlling Shareholders has jointly and severally undertaken to us, the Sole Sponsor, the Sole Bookrunner and each of the Public Offer Underwriters that, except pursuant to the Share Offer (including the offer for sale of the Sale Shares by the Selling Shareholders) and the Stock Borrowing Agreement, each of them will not, and will procure that none of its associates or companies controlled by it or any nominee or trustee holding in trust for it will, without the prior written consent of the Sole Sponsor and the Sole

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Bookrunner (for itself and on behalf of the Public Offer Underwriters) and unless in compliance with the Listing Rules, at any time from the date of the Public Offer Underwriting Agreement to the expiry of the First Six-month Period:

- (a) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, any of the share or debt capital or other securities of our Company or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein) whether now owned or hereinafter acquired, owned directly or indirectly by it (including holding as a custodian) or with respect to which it has beneficial ownership (collectively the “**Lock-up Shares**”) (the foregoing restriction is expressly agreed to preclude it from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of the Lock-up Shares even if such Shares would be disposed of by someone other than it. Such prohibited hedging or other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of the Lock-up Shares or with respect to any security that includes, relates to, or derives any significant part of its value from such Shares); 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 any such capital or securities or any interest therein; or
- (c) enter into any transaction with the same economic effect as any transaction described in (a) or (b) above; or
- (d) offer or agree or contract to, or publicly announce any intention to enter into, any transaction described in (a) or (b) or (c) above, whether any such transaction described in (a) or (b) or (c) above is to be settled by delivery of Shares or such other securities, in cash or otherwise.

Additionally, during the period of six months immediately following the expiry of the First Six-month Period, each of our Controlling Shareholders will not enter into any of the foregoing transactions in (a), (b), (c) or (d) above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transaction, our Controlling Shareholders in aggregate will cease to be controlling shareholders within the meaning of the Listing Rules.

Subject to the restrictions above, until the expiry of the period of six months immediately following the expiry of the First Six-month Period, if any of our Controlling Shareholders enters into any of the foregoing transactions in (a), (b), (c) or (d) above or

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agrees or contracts to, or publicly announces an intention to enter into any such transactions, it will take all steps to ensure that it will not create a disorderly or false market in our Shares or other securities of our Company.

Indemnity

We and each of our Controlling Shareholders have agreed to indemnify the Sole Sponsor, the Sole Bookrunner and the Public Offer Underwriters for certain losses which they may suffer, including, among other things, losses arising from the performance of their obligations under the Public Offer Underwriting Agreement and any breach by us of the provisions of the Public Offer Underwriting Agreement.

Commissions and expenses

The Public Offer Underwriters will receive a gross commission of 3.5% of the aggregate Offer Price of the Public Offer Shares initially offered under the Public Offer. For unsubscribed Public Offer Shares reallocated to the Placing and any Placing Shares reallocated from the Placing to the Public Offer, we will pay an underwriting commission at the rate applicable to the Placing and such commission will be paid to the Placing Underwriters and not the Public Offer Underwriters. In addition, our Company may pay a discretionary bonus to the Sole Bookrunner.

The aggregate commissions (exclusive of any discretionary bonus), together with listing fees, the SFC transaction levy and the Stock Exchange trading fee in respect of the Offer Shares, legal and other professional fees and printing and other expenses relating to the Share Offer are estimated to amount to approximately HK\$24.7 million (assuming an Offer Price of HK\$0.6, which is the mid-point of the indicative Offer Price range, and assuming that none of the Adjustment Options are exercised) in total and are payable by our Company and the Selling Shareholders with reference to the number of New Shares and Sale Shares under the Share Offer respectively.

Public Offer Underwriters' interests in us

Save for their respective obligations under the Public Offer Underwriting Agreement and, if applicable, the Stock Borrowing Agreement, none of the Public Offer Underwriters has any shareholding interests in us or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in us.

Following the completion of the Share Offer, the Public Offer Underwriters and their affiliated companies may hold a certain portion of our Shares as a result of fulfilling their obligations under the Public Offer Underwriting Agreement.

UNDERWRITING

Placing

In connection with the Share Offer, we expect our Company will enter into the Placing Underwriting Agreement with, amongst others, the Placing Underwriters. Pursuant to the Placing Underwriting Agreement, the Placing Underwriters, subject to certain conditions, will agree severally, not jointly nor jointly and severally, to subscribe and/or purchase or procure subscribers or buyers for the subscription or purchase of the Placing Shares being offered pursuant to the Placing.

Under the Placing Underwriting Agreement, the Company intends to grant to the Placing Underwriters the Adjustment Options which are exercisable by the Sole Bookrunner. The Sole Bookrunner can exercise either the Offer Size Adjustment Option or the Over-allotment Option, but not both, to require the Company to allot and issue up to an aggregate of 30,000,000 additional New Shares, being 15% of the Offer Shares initially available under the Share Offer, at the Offer Price.

The Offer Size Adjustment Option may be exercised by the Sole Bookrunner any time during the period from the date of the Placing Underwriting Agreement to the second last Business Day prior to the Listing Date, being Tuesday, 14 April 2015, otherwise it will lapse. The Over-allotment Option may be exercised by the Sole Bookrunner any time from the Listing Date and until the 30th day after the last day for the lodging of applications under the Public Offer, being Saturday, 9 May 2015. The purpose of the exercise of any of the Adjustment Options is to settle any over-allocations in the Placing, if any. For further details of the Adjustment Options, please refer to the section headed "Structure and Conditions of the Share Offer" in this prospectus.

It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, our Company and the Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed "Undertakings pursuant to the Public Offer Underwriting Agreement" above.

Sole Sponsor's independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

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. The Share Offer consists of:

- (a) the Public Offer of 20,000,000 Shares (subject to adjustment as mentioned below) in Hong Kong as described below under the paragraph headed “Public Offer”; and
- (b) the Placing of 180,000,000 Shares comprising 140,000,000 New Shares and 40,000,000 Sale Shares (subject to adjustment and the Adjustment Options as mentioned below) to institutional and professional investors. Investors may apply for the Public Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Placing Shares under Placing, but may not do both. The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The Placing will involve selective marketing of the Placing Shares to institutional and professional investors.

The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Placing Shares in the Placing. Prospective investors will be required to specify the number of Placing 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 the Price Determination Date.

The number of Public Offer Shares to be offered under the Public Offer and the number of Placing Shares to be offered under the Placing respectively may be subject to reallocation as described under the paragraph headed “Pricing and Allocation” below.

PRICING AND ALLOCATION

The Offer Price is expected to be fixed by agreement between the Sole Bookrunner (for itself and on behalf of the Underwriters) and us (for ourselves and on behalf of the Selling Shareholders) on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around 9 April 2015 and in any event, no later than 13 April 2015. The Offer Price will be not more than HK\$0.8 per Offer Share and is expected to be not less than HK\$0.4 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer, as explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

If, based on the level of interest expressed by prospective institutional and professional investors and other investors during the book-building process, the Sole Bookrunner (for itself and on behalf of the Underwriters) considers the number of Offer Shares being offered under the Share Offer and/or the Offer Price inappropriate, the Sole Bookrunner (for itself and on behalf of the Underwriters), with prior written consent of our Company, may reduce the number of Offer Shares being offered under the Share Offer and/or the Offer Price below that stated in this prospectus at any time on or prior to the morning of the last day

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

for lodging applications under the Public Offer. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause to be published in South China Morning Post (in English) and Sing Tao Daily (in Chinese) notice of the reduction in the number of Offer Shares being offered under the Share Offer and/or the Offer Price. Such notice will also be available at the website of the Stock Exchange at www.hkexnews.hk and our website at www.inconstruction.hk. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed “Summary” in this prospectus and any other financial information which may change as a result of such reduction. Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Share Offer and/or the Offer Price may not be made until the day which is the last day for lodging applications under the Public Offer. If applications for Public Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Public Offer, in the event that the number of Offer Shares and/or the Offer Price is so reduced, such applications can subsequently be withdrawn.

Our 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 Sole Sponsor and the Sole Bookrunner. Allocation of the Placing Shares pursuant to the Placing will be determined by the Sole Sponsor and the Sole 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 Shares after the listing of the Offer Shares on the Stock Exchange. Such allocation may be made to professional, institutional or corporate investors and is intended to result in a distribution of our Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of Shares to investors under the Public Offer will be based on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants, although the allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

The applicable Offer Price, level of applications in the Public Offer, the level of indications of interest in the Placing, and the basis of allocations of the Public Offer Shares and the Hong Kong Identity Card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer are expected to be made available in a variety of channels in the manner described in the section headed “How to Apply for Public Offer Shares – Publication of Results of Allocations” in this prospectus from Wednesday, 15 April 2015.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

CONDITIONS OF THE PUBLIC OFFER

Acceptance of all applications for the Public Offer Shares pursuant to the Public Offer will be conditional upon:

- (a) the Listing Committee granting listing of, and permission to deal in, our 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 any of the Adjustment Options);
- (b) our Company having submitted to the HKSCC all requisite documents to enable our Shares to be admitted to trade on the Stock Exchange;
- (c) the execution and delivery of the Placing Underwriting Agreement on or around the Price Determination Date; and
- (d) the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement and the obligations of the Placing Underwriters under the Placing Underwriting Agreement having become unconditional and not having been terminated in accordance with the terms of the agreement,

in each case on or before the dates and times specified in the Public Offer Underwriting Agreement or the Placing Underwriting Agreement (unless and to the extent that such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Public Offer to be published in South China Morning Post (in English) and Sing Tao Daily (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 headed “How to Apply for Public Offer Shares” in this prospectus. 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 and the Placing 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 will only become valid certificates of title at 8:00 a.m. on the Listing Date provided that (i) the Share Offer have become unconditional in all respects and (ii) the right of termination as described in the section headed “Underwriting – Underwriting Arrangements and Expenses – Public Offer – Grounds for termination” in this prospectus 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

PUBLIC OFFER

Number of Shares initially offered and their allocation

We are initially offering 20,000,000 Shares at the Offer Price, representing 10% of the 200,000,000 Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Public Offer will represent 2.5% of our total issued share capital immediately after completion of the Share Offer, assuming that none of the Adjustment Options are exercised. Individual retail investors are expected to apply for Offer Shares through the Public Offer and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking Offer Shares in the Placing will not be allocated Offer Shares in the Public Offer.

For allocation purposes only, the total number of Public Offer Shares initially available for subscription by the public under the Public Offer, on a **WHITE** or **YELLOW** Application Form will be divided equally (to the nearest board lot) into two pools for allocation purposes: Pool A and Pool B. The Public Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares with a total subscription amount of HK\$5 million or below (excluding brokerage, the SFC transaction levy and the Stock Exchange trading fee payable). The Public Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares with a total subscription amount of more than HK\$5 million (excluding brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) and up to the total initial value of Pool B.

Applicants should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If the Public Offer Shares in one (but not both) of the pools are undersubscribed, the Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. The applicant can only receive an allocation of Public Offer Shares from either Pool A or Pool B but not from both pools. We will reject multiple applications between the two pools and reject multiple applications within Pool A or Pool B.

In the case of over-subscription, allocation of the Public Offer Shares to investors under the Public Offer, both in relation to Pool A and Pool B, will be based solely on the level of valid applications received under the Public Offer. The basis of allocation in each pool may vary, depending on the number of Public Offer Shares validly applied for by each applicant. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares and those applicants who are not successful in the ballot may not receive any Public Offer Shares. Multiple or suspected multiple applications and any application for more than 50% of the Public Offer Shares initially being offered for subscription by the public (that is, to apply for more than 10,000,000 Shares) are liable to be rejected.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

The allocation of 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, or (iii) 100 times or more, of the number of Offer Shares initially available under the Public Offer, the total number of Offer Shares available under the Public Offer will be increased to 60,000,000, 80,000,000 and 100,000,000 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 Offer Shares initially available under the Share Offer (before any exercise of any of the Adjustment Options), and such reallocation being referred to in this prospectus as “**Mandatory Reallocation**”. In such cases, the number of Offer Shares allocated in the Placing will be correspondingly reduced, in such manner as the Sole Bookrunner deems appropriate, and such additional Offer Shares will be reallocated to Pool A and Pool B in the Public Offer.

If the Public Offer is not fully subscribed, the Sole Sponsor and the Sole Bookrunner have the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Sole Sponsor and the Sole Bookrunner deem appropriate. In addition to any Mandatory Reallocation which may be required, the Sole Sponsor and the Sole Bookrunner may, at their sole discretion, reallocate Shares initially allocated for the Placing to the Public Offer to satisfy valid applications in Pool A and Pool B under the Public Offer, regardless of whether the Mandatory Reallocation is triggered.

Applications

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him/her that he/she and any person for whose benefit he/she 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.

Our Company, our Directors and the Underwriters will take reasonable steps to identify and reject applications under the Public Offer from investors who have received Shares in the Placing and to identify and reject indications of interest in the Placing from investors who have received Shares in the Public Offer.

The Offer Price will be not more than HK\$0.8 and is expected to be not less than HK\$0.4. Applicants under the Public Offer are required to pay, on application, the maximum Offer Price of HK\$0.8 per Offer Share plus 1% brokerage fee, 0.0027% SFC transaction levy, and 0.005% Stock Exchange trading fee. Further details are set out in the section headed “How to Apply for Public Offer Shares” in this prospectus.

If the Offer Price, as finally determined on the Price Determination Date, is lower than HK\$0.8, being the maximum Offer Price, we will refund the respective difference (including the brokerage fee, the SFC transaction levy, and the Stock Exchange trading fee attributable to the surplus application monies) to successful applicants, without interest. Further details are set out in the section headed “How to Apply for Public Offer Shares” in this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

PLACING

Number of Offer Shares offered and their allocation

The number of Offer Shares to be initially offered for subscription and purchase under the Placing will be 180,000,000 Shares comprising 140,000,000 New Shares and 40,000,000 Sale Shares (subject to adjustment and the Adjustment Options), representing 90% of the Offer Shares under the Share Offer.

The Placing is subject to the Public Offer being unconditional. Subject to any reallocation of Offer Shares between the Placing and the Public Offer, before taking into account any exercise of any of the Adjustment Options, the Placing Shares will represent 22.5% of our total issued share capital immediately after completion of the Share Offer.

Pursuant to the Placing, the Placing Underwriters will conditionally place our Shares with institutional and professional investors and other investors expected to have a sizeable demand for our Shares in Hong Kong. Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the “book-building” process described in “Pricing and Allocation” in this section and 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 Shares, and/or hold or sell its Shares, after the listing of our Shares on the Stock Exchange. Such allocation is intended to result in a distribution of our Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Sole Bookrunner (for itself and on behalf of the Underwriters) 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 Sole Bookrunner in order to allow it to identify the relevant applications under the Public Offer and to consider whether it should be excluded from any application for Shares under the Public Offer.

ADJUSTMENT OPTIONS

In connection with the Share Offer and pursuant to the Placing Underwriting Agreement, we expect to grant an Offer Size Adjustment Option and an Over-allotment Option to the Placing Underwriters exercisable by the Sole Bookrunner. The Sole Bookrunner can exercise either the Offer Size Adjustment Option or the Over-allotment Option, but not both.

If the final Offer Price as agreed between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders) is less than HK\$0.5 and as a result, the size of the Share Offer is less than HK\$100 million, the Sole Bookrunner can only exercise the Offer Size Adjustment Option to cover over-allocations under the Share Offer and there will be no stabilisation action.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

If the final Offer Price as agreed between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders) is equal to or more than HK\$0.5 and as a result, the size of the Share Offer is equal to or more than HK\$100 million, the Sole Bookrunner can only exercise the Over-allotment Option to cover over-allocations under the Share Offer.

Offer Size Adjustment Option

Pursuant to the Offer Size Adjustment Option, the Sole Bookrunner will have the right, exercisable at any time during the period from the date of the Placing Underwriting Agreement to the second last Business Day prior to the Listing Date, being Tuesday, 14 April 2015, to require the Company to allot and issue, at the Offer Price, up to an aggregate of 30,000,000 additional New Shares, representing 15% of the number of Offer Shares initially being offered under the Share Offer, on the same terms as those applicable to the Share Offer, to cover over-allocations in the Placing, subject to the terms of the Placing Underwriting Agreement.

The purpose of the Offer Size Adjustment Option is to provide flexibility for the Sole Bookrunner to meet any excess demand in the Placing. The Offer Size Adjustment Option will not be used for price stabilisation purposes in the secondary market after the Listing and is not subject to the Securities and Futures (Price Stabilizing) Rules of the SFO (Chapter 571W of the laws of Hong Kong).

Our Company will disclose in its allotment results announcement whether and to what extent the Offer Size Adjustment Option have been exercised. In the event that the Offer Size Adjustment Option have not been exercised by the Sole Bookrunner, our Company will confirm in such announcement that the Offer Size Adjustment Option have lapsed and cannot be exercised at any future date.

Over-allotment Option

Pursuant to the Over-allotment Option, the Sole Bookrunner will have the right, exercisable at any time from the Listing Date and until the 30th day after the last day for the lodging of applications under the Public Offer, Saturday, being 9 May 2015, to require the Company to allot and issue, at the Offer Price, up to an aggregate of 30,000,000 additional New Shares, representing 15% of the number of Offer Shares initially being offered under the Share Offer, on the same terms as those applicable to the Share Offer, to cover over-allocations in the Placing and/or the obligations of the Stabilisation Manager to return securities borrowed under the Stock Borrowing Agreement. We will make an announcement if the Over-allotment Option is exercised.

If the any of the Adjustment Options is exercised in full, the additional Offer Shares allotted and issued will represent approximately 3.61% of the enlarged issued share capital of the Company immediately following the completion of the Share Offer and the exercise of such Adjustment Options.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocation in connection with the Share Offer, the Stabilisation Manager may choose to borrow, whether on its own or through its affiliates and agents, up to 30,000,000 Shares from Kinetic Kingdom pursuant to a stock borrowing arrangement (being the maximum number of Shares which may be allotted and issued by the Company upon exercise of the Over-allotment Option), or acquire Shares from other sources, including the exercise of the Over-allotment Option.

If such stock borrowing arrangement with Kinetic Kingdom is entered into, it will only be effected by the Stabilisation Manager or its agent for settlement of over-allocation in the Placing and such arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set out in Rule 10.07(3) of the Listing Rules are complied with.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to retard and, possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong, activity aimed at reducing the market price is prohibited and the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Share Offer, the Stabilisation Manager and/or its affiliates and agents, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period from the Listing Date and until the 30th day after the last day for the lodging of applications under the Public Offer, being Saturday, 9 May 2015. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilisation Manager or its agent to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Stabilisation Manager and may be discontinued at any time. Any such stabilising activity is required to be brought to an end within 30 days after the last day for the lodging of applications under the Public Offer, being Saturday, 9 May 2015. The number of Shares that may be over-allocated will not exceed the number of Shares that may be allotted and issued under the Over-allotment Option, namely 30,000,000 Shares, which is 15% of the Offer Shares initially available under the Share Offer.

In Hong Kong, stabilising activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules, Chapter 571W of the Laws of Hong Kong. Stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules includes: (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of our Shares; (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of our Shares; (iii) purchasing or subscribing for, or agreeing

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

to purchase or subscribe for, our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimizing any reduction in the market price of our Shares; and (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in our Shares should note that:

- (a) the Stabilisation Manager, or any person acting for it, may, in connection with the stabilising action, maintain a long position in our Shares;
- (b) there is no certainty regarding the extent to which and the time period for which the Stabilisation Manager, or any person acting for it, will maintain such a long position;
- (c) liquidation of any such long position by the Stabilisation Manager may have an adverse impact on the market price of our Shares;
- (d) no stabilising action can be taken to support the price of our Shares for longer than the stabilising period which will begin on the Listing Date, and is expected to expire on 9 May 2015, being the 30th day after the last date for lodging applications under the Public Offer. After this date, when no further stabilising action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;
- (e) the price of our Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by the taking of any stabilising action; and
- (f) stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, our Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilising period.

In connection with the Share Offer, the Stabilisation Manager may over-allocate up to and not more than an aggregate of 30,000,000 additional Shares and cover such over-allocations by the exercise of the Over-allotment Option, which will be exercisable by the Sole Bookrunner, or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of settlement of over-allocations in connection with the Placing, the Stabilisation Manager may borrow up to 30,000,000 Shares from Kinetic Kingdom, equivalent to the maximum number of Shares to be allotted and issued by the

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Company on full exercise of the Over-allotment Option, under the Stock Borrowing Agreement. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulation requirements.

No payments or other benefit will be made to Kinetic Kingdom by the Stabilisation Manager in relation to the stock borrowing arrangement.

DEALING ARRANGEMENTS

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 16 April 2015, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, 16 April 2015. The Shares will be traded in board lots of 5,000 Shares each.

UNDERWRITING ARRANGEMENTS

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement.

We expect that we will enter into the Placing Underwriting Agreement relating to the Placing on or about Thursday, 9 April 2015.

The underwriting arrangements are summarized in the section headed “Underwriting” in this prospectus.

HOW TO APPLY FOR PUBLIC OFFER SHARES

HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for the Placing Shares.

To apply for Public Offer Shares, you may use a **White** or **Yellow** Application Form.

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 Sole Bookrunner and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

WHO CAN APPLY FOR THE PUBLIC OFFER SHARES

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 U.S. person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person duly authorised under a power of attorney, the Sole Bookrunner may accept it at its discretion and on any conditions if it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four for the Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of shares in our Company and/or any of its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate of any of the above;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- a connected person of our Company or will become a connected person of our Company immediately upon completion of the Share Offer; and
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

APPLYING FOR PUBLIC OFFER SHARES

Which application channel to use

For Public Offer Shares to be issued in your own name, use a **White** Application Form.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **Yellow** Application Form.

Where to collect the Application Forms

You can collect a **White** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 31 March 2015 to 12:00 noon on Thursday, 9 April 2015 from:

- (a) the following office of the Sole Bookrunner:
- Oriental Patron Securities Limited at 27th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong
- (b) any of the following branches of the receiving bank:

Bank of China (Hong Kong) Limited

District	Branch name	Address
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	Connaught Road Central Branch	13-14 Connaught Road Central
	Causeway Bay Branch	505 Hennessy Road, Causeway Bay
Kowloon	Mei Foo Mount Sterling Mall Branch	Shop N47-49 Mount Sterling Mall, Mei Foo Sun Chuen
	Telford Gardens Branch	Shop P2 Telford Gardens, Kowloon Bay
New Territories	Tai Po Branch	68-70 Po Heung Street, Tai Po Market

HOW TO APPLY FOR PUBLIC OFFER SHARES

You can collect a **Yellow** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 31 March 2015 until 12:00 noon on Thursday, 9 April 2015 from the Depository Counter of HKSCC at HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for lodging Application Forms

Your completed **White** or **Yellow** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of China (Hong Kong) Nominees Limited – In Construction Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Tuesday, 31 March 2015 – 9:00 a.m. to 5:00 p.m.
- Wednesday, 1 April 2015 – 9:00 a.m. to 5:00 p.m.
- Thursday, 2 April 2015 – 9:00 a.m. to 5:00 p.m.
- Wednesday, 8 April 2015 – 9:00 a.m. to 5:00 p.m.
- Thursday, 9 April 2015 – 9:00 a.m. to 12:00 noon.

The application lists will be open from 11:45 a.m. to 12:00 noon on 9 April 2015, the last application day or such later time as described in the paragraph headed "Effect Of Bad Weather Conditions On The Opening Of The Application Lists" in this section.

TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, you:

- (a) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole 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;
- (b) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (c) 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;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (d) 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;
- (e) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (f) agree that none of our Company, the Sole Bookrunner, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing nor participated in the Placing;
- (h) agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Bookrunner, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (i) 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 Sole Bookrunner and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (k) agree that your application will be governed by the laws of Hong Kong;
- (l) 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;
- (m) warrant that the information you have provided is true and accurate;
- (n) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (o) 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 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;
- (p) 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;
- (q) understand that our Company and the Sole 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;
- (r) (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; and
- (s) (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; and (ii) you have due authority to sign the Application Form.

Additional instructions for Yellow Application Form

You may refer to the **Yellow** Application Form for details.

HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

HOW TO APPLY FOR PUBLIC OFFER SHARES

All of your applications will be rejected if more than one application on a **White** or **Yellow** Application Form is made for your benefit. 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 MUCH ARE THE PUBLIC OFFER SHARES

The **White** and **Yellow** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **White** or **Yellow** Application Form in respect of a minimum of 5,000 Public Offer Shares. Each application 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.

If your application is successful, brokerage will be paid to the participants of the Stock Exchange, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure and Conditions of the Share Offer – Pricing and Allocation” in this prospectus.

HOW TO APPLY FOR PUBLIC OFFER SHARES

EFFECT OF BAD WEATHER CONDITIONS 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 Thursday, 9 April 2015. 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 Thursday, 9 April 2015 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected timetable” in this prospectus, an announcement will be made in such event.

PUBLICATION OF RESULTS OF ALLOCATIONS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Wednesday, 15 April 2015 in South China Morning Post (in English) and Sing Tao Daily (in Chinese) on our Company’s website at **www.inconstruction.hk** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong Identity Card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at **www.inconstruction.hk** and the Stock Exchange’s website at **www.hkexnews.hk** by no later than 9:00 a.m. on Wednesday, 15 April 2015;
- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Wednesday, 15 April 2015 to 12:00 midnight on Tuesday, 21 April 2015;
- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, 15 April 2015 to Monday, 20 April 2015 on a Business Day;
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 15 April 2015 to Friday, 17 April 2015 at all the receiving bank branches and sub-branches.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed “Structure and Conditions of the Share Offer” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED THE PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(a) If your application is revoked:

By completing and submitting an Application Form, you agree that your application cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application 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 has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(b) If the Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Bookrunner 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.

(c) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Offer 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.

(d) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole 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.

REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$0.8 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or

HOW TO APPLY FOR PUBLIC OFFER SHARES

if the conditions of the Public Offer are not fulfilled in accordance with the section headed “Structure and Conditions of the Share Offer – Conditions of the Public Offer” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Wednesday, 15 April 2015.

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 where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Offer 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 favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong Identity Card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong Identity Card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong Identity Card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or around Wednesday, 15 April 2015. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

HOW TO APPLY FOR PUBLIC OFFER SHARES

Share certificates will only become valid at 8:00 a.m. on Thursday, 16 April 2015 provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal collection

(a) If you apply using a White Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, 15 April 2015 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to 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 Wednesday, 15 April 2015, by ordinary post and at your own risk.

(b) 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 Wednesday, 15 April 2015, by ordinary post and at your own risk.

If you apply by using a **Yellow** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant’s stock account as stated in your Application Form on Wednesday, 15 April 2015, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(c) 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.

(d) If you are applying as a CCASS investor participant

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication Of Results Of Allocations" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 15 April 2015 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

ADMISSION OF THE OFFER SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Offer Shares and we comply with the stock admission requirements of HKSCC, the Offer 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 Offer Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Offer 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

31 March 2015

The Directors
In Construction Holdings Limited

Oriental Patron Asia Limited

Dear Sirs,

Introduction

We set out below our report on the financial information relating to In Construction 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 September 2014, and the combined statements of profit or loss and other 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 six months ended 30 September 2014 (the "Relevant Periods"), together with the explanatory notes thereto (the "Financial Information"), for inclusion in the prospectus of the Company dated 31 March 2015 (the "Prospectus").

The Company was incorporated in the Cayman Islands on 29 September 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 16 March 2015 (the "Reorganisation") as detailed in the section headed "History, Reorganisation and Corporate Structure" 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 and In Construction (BVI) Limited, as they have not carried on any business since the date of incorporation and are investment holding companies which are not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

All subsidiaries of the Group have adopted 31 March as their financial year end date. Details of the Company's subsidiary that is subject to audit during the Relevant Periods and the name of the auditor are set out in note 1(b) of Section B. The statutory financial

statements of the subsidiary were prepared in accordance with Hong Kong Financial Reporting Standards for Private Entities 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 six months ended 30 September 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 Hong Kong Financial Reporting Standards (“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 September 2014.

Opinion

In our opinion, the Financial Information gives, for the purpose of this report and 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 September 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 other comprehensive income, the combined statement of changes in equity and the

combined cash flow statement for the six months ended 30 September 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 other comprehensive income

	Section B Note	Year ended 31 March			Six months ended 30 September	
		2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000
					(Unaudited)	
Turnover	3	365,909	468,117	381,750	221,244	185,200
Direct costs		<u>(287,941)</u>	<u>(365,533)</u>	<u>(299,192)</u>	<u>(169,706)</u>	<u>(151,127)</u>
Gross profit		77,968	102,584	82,558	51,538	34,073
Other revenue	4	381	1,686	3,337	1,139	1,140
Other net (loss)/income	5	(16)	277	12	–	–
Administrative and other operating expenses		<u>(7,683)</u>	<u>(9,171)</u>	<u>(12,358)</u>	<u>(4,710)</u>	<u>(7,957)</u>
Profit from operations		70,650	95,376	73,549	47,967	27,256
Finance costs	6(a)	<u>(32)</u>	<u>(349)</u>	<u>(413)</u>	<u>(293)</u>	<u>(243)</u>
Profit before taxation	6	70,618	95,027	73,136	47,674	27,013
Income tax	7(a)	<u>(11,773)</u>	<u>(15,726)</u>	<u>(12,159)</u>	<u>(7,873)</u>	<u>(4,908)</u>
Profit and total comprehensive income for the year/period		<u>58,845</u>	<u>79,301</u>	<u>60,977</u>	<u>39,801</u>	<u>22,105</u>

The accompanying notes form part of the Financial Information.

2. Combined statements of financial position

		At 31 March		At 30 September	
	Section B Note	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000
Non-current assets					
Property, plant and equipment	12	900	1,041	766	636
Finance lease receivables	17(a)	–	9,682	6,956	5,555
		<u>900</u>	<u>10,723</u>	<u>7,722</u>	<u>6,191</u>
Current assets					
Gross amounts due from customers					
for contract work	15	57,779	68,081	123,872	103,797
Finance lease receivables	17(a)	–	2,631	2,727	2,776
Trade and other receivables	13	221,417	212,336	217,909	154,048
Cash and bank balances	14(a)	8,127	55,253	53,014	56,403
		<u>287,323</u>	<u>338,301</u>	<u>397,522</u>	<u>317,024</u>
Current liabilities					
Gross amounts due to customers					
for contract work	15	26,265	25,549	3,991	2,468
Trade and other payables	16	63,233	145,675	169,819	249,905
Bank overdrafts – secured	18	12,913	–	131	–
Obligations under finance leases	17(b)	108	2,871	2,932	2,859
Tax payable	7(c)	11,783	14,199	9,597	14,505
		<u>114,302</u>	<u>188,294</u>	<u>186,470</u>	<u>269,737</u>
Net current assets		<u>173,021</u>	<u>150,007</u>	<u>211,052</u>	<u>47,287</u>
Total assets less current liabilities		<u>173,921</u>	<u>160,730</u>	<u>218,774</u>	<u>53,478</u>
Non-current liabilities					
Loans from shareholders	23(c)	9,000	9,000	9,000	9,000
Obligations under finance leases	17(b)	81	9,889	6,956	5,555
		<u>9,081</u>	<u>18,889</u>	<u>15,956</u>	<u>14,555</u>
NET ASSETS		<u>164,840</u>	<u>141,841</u>	<u>202,818</u>	<u>38,923</u>
CAPITAL AND RESERVES					
Share capital	19	9,300	9,300	9,300	9,300
Reserves	19(b)	155,540	132,541	193,518	29,623
TOTAL EQUITY		<u>164,840</u>	<u>141,841</u>	<u>202,818</u>	<u>38,923</u>

The accompanying notes form part of the Financial Information.

3. Combined statements of changes in equity

	Attributable to equity shareholders of the Company		
	Share capital <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 April 2011	8,200	108,995	117,195
Changes in equity for 2012:			
Issuance of new shares	1,100	–	1,100
Profit and total comprehensive income for the year	–	58,845	58,845
Dividend declared (<i>note 10</i>)	–	(12,300)	(12,300)
At 31 March 2012 and 1 April 2012	9,300	155,540	164,840
Changes in equity for 2013:			
Profit and total comprehensive income for the year	–	79,301	79,301
Dividend declared (<i>note 10</i>)	–	(102,300)	(102,300)
At 31 March 2013 and 1 April 2013	9,300	132,541	141,841
Changes in equity for 2014:			
Profit and total comprehensive income for the year	–	60,977	60,977
At 31 March 2014 and 1 April 2014	9,300	193,518	202,818
Changes in equity for the six months ended 30 September 2014:			
Profit and total comprehensive income for the period	–	22,105	22,105
Dividend declared (<i>note 10</i>)	–	(186,000)	(186,000)
At 30 September 2014	<u>9,300</u>	<u>29,623</u>	<u>38,923</u>
At 1 April 2013 (Unaudited)	9,300	132,541	141,841
Changes in equity for the six months ended 30 September 2013:			
Profit and total comprehensive income for the period	–	39,801	39,801
At 30 September 2013 (Unaudited)	<u>9,300</u>	<u>172,342</u>	<u>181,642</u>

The accompanying notes form part of the Financial Information.

4. Combined cash flow statements

	<i>Section B Note</i>	Year ended 31 March			Six months ended 30 September	
		2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
					<i>(Unaudited)</i>	
Cash generated from operations	<i>14(b)</i>	6,249	81,945	19,977	38,764	4,102
Tax paid		<u>(11,680)</u>	<u>(13,311)</u>	<u>(16,761)</u>	<u>–</u>	<u>–</u>
Net cash (used in)/ generated from operating activities		<u>(5,431)</u>	<u>68,634</u>	<u>3,216</u>	<u>38,764</u>	<u>4,102</u>
Investing activities						
Payment for the purchase of property, plant and equipment		(150)	(901)	(279)	(47)	(111)
Interest received		3	80	792	385	335
Proceeds from disposal of property, plant and equipment		5	329	12	–	–
Capital element of finance lease rentals received		–	623	1,586	786	814
Interest element of finance lease rentals received		–	116	237	125	97
Increase in restricted bank deposits		<u>(7,121)</u>	<u>(36,519)</u>	<u>(5,275)</u>	<u>(27,098)</u>	<u>(4,878)</u>
Net cash used in investing activities		<u>(7,263)</u>	<u>(36,272)</u>	<u>(2,927)</u>	<u>(25,849)</u>	<u>(3,743)</u>

<i>Section B</i>	Year ended 31 March			Six months ended	
	2012	2013	2014	2013	2014
<i>Note</i>	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Financing activities					
Proceeds from issuance of new shares	1,100	–	–	–	–
Interest paid	(12)	(5)	(7)	(7)	(59)
Capital element of finance lease rentals paid	(107)	(2,913)	(2,871)	(1,423)	(1,474)
Interest element of finance lease rentals paid	(20)	(344)	(406)	(286)	(184)
Dividends paid	(1,230)	(5,580)	(4,650)	(4,650)	–
Net cash used in financing activities	<u>(269)</u>	<u>(8,842)</u>	<u>(7,934)</u>	<u>(6,366)</u>	<u>(1,717)</u>
Net (decrease)/ increase in cash and cash equivalents	(12,963)	23,520	(7,645)	6,549	(1,358)
Cash and cash equivalents at the beginning of the year/period	<u>54</u>	<u>(12,909)</u>	<u>10,611</u>	<u>10,611</u>	<u>2,966</u>
Cash and cash equivalents at the end of the year/period	<u>14(a)</u> <u>(12,909)</u>	<u>10,611</u>	<u>2,966</u>	<u>17,160</u>	<u>1,608</u>

The accompanying notes form part of the Financial Information.

B. NOTES TO THE FINANCIAL INFORMATION

(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 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 this 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 24.

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 “Stock Exchange”).

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

The Corresponding Financial Information for the six months ended 30 September 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

Prior to the Reorganisation, Mr. Lau Pak Man (“Mr. Lau”), Mr. Cheng Wing Cheong (“Mr. Cheng”) and Ms. Kwan Kit Sum, Kit (“Ms. Kwan”) owned In Construction Limited (“ICL”) in Hong Kong which is principally engaged as a contractor in the foundation industry in Hong Kong. To rationalise the corporate structure in preparation of the listing of the Company’s shares on the Stock Exchange, the Company was incorporated in the Cayman Islands on 29 September 2014 and the Group underwent the Reorganisation, as detailed in the section headed “History, Reorganisation and Corporate Structure” in the Prospectus. Upon completion of the Reorganisation, the Company became the ultimate parent company of ICL and the holding company of the Group.

The Companies which took part in the Reorganisation were controlled by the same group of the ultimate equity holders, Mr. Lau, Mr. Cheng and Ms. Kwan (referred to as “the Controlling Shareholders”) before and after the Reorganisation and therefore there were no changes in the economic substance of the ownership and the business of the Group. The Reorganisation only involved inserting newly formed entities with no substantive operations as new holding companies of ICL, which was the Group’s sole operating entity during the Relevant Periods. Accordingly, the Reorganisation has been accounted for using a principle similar to that for a reverse acquisition as set out in Hong Kong Financial Reporting Standard 3, *Business combinations*, with ICL treated as the acquirer for accounting purposes. The Financial Information has been prepared and presented as a continuation of the financial statements of ICL with the assets and liabilities of ICL recognised and measured at their historical carrying amounts prior to the Reorganisation.

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	
In Construction (BVI) Limited	British Virgin Islands	6 October 2014	US\$1, 1 share of US\$1 each	100%	100%	Investment holding
In Construction Limited	Hong Kong	9 December 1996	HK\$9,300,000	100%	–	Construction and engineering

The following list contains details of the company in the Financial Information that is subject to audit during the Relevant Periods and the name of the respective auditors.

Name of company	Financial period	Statutory auditors
In Construction Limited	For the years ended 31 March 2012, 2013 and 2014	Paul W.C. Ho & Company

(c) Basis of measurement and use of estimates and judgements

The Financial Information are presented in Hong Kong dollars, rounded to the nearest thousand. 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 (held by the Group and other parties) 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, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains by only to the extent that there is no evidence of impairment.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in the former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as fair value on initial recognition of a financial asset.

(e) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses (see note 1(g)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Furniture and fixtures	5 years
– Leasehold improvements	Shorter of lease term and 5 years
– Motor vehicles	3½ years
– Plant and machinery	5 years
– Office equipment	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(f) 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.

(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(e). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(g). 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.

(g) **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.

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 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. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(h) 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(p)(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.

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".

(i) 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(g)), 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.

(j) 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.

(k) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(o)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(l) 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.

(m) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(n) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

(o) Financial guarantees issued, provisions and contingent liabilities**(i) Financial guarantees issued**

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(o)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(p) 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.

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) Interest income

Interest income is recognised as it accrues using the effective interest method.

(q) 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.

(r) 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 (r)(1).
 - (vii) A person identified in (r)(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.

(s) **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**

(i) *Construction contracts*

As explained in policy notes 1(h) and 1(p)(i), turnover and profit recognition on an uncompleted project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activities undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the amounts due from customers for contract work as disclosed in note 15 will not include profit which the Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total costs or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

3 TURNOVER AND SEGMENT INFORMATION

Turnover represents revenue from construction contracts earned during the Relevant Periods.

(a) Segment information

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.

(b) Information about major customers

Revenue from customers of the corresponding years/periods contributing over 10% of the total turnover of the Group is as follows:

	Year ended 31 March			Six months ended 30 September	
	2012	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Customer I	109,148	–	–	–	–
Customer II	105,574	113,161	–	–	–
Customer III	–	66,280	–	–	–
Customer IV	–	47,086	–	–	–
Customer V	–	–	93,032	51,312	29,970
Customer VI	–	–	61,849	30,841	–
Customer VII	–	–	55,537	40,121	–
Customer VIII	–	–	54,140	23,930	–
Customer IX	–	–	41,710	37,170	–
Customer X	–	–	–	–	34,289
Customer XI	–	–	–	–	33,905
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

4 OTHER REVENUE

	Year ended 31 March			Six months ended 30 September	
	2012	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Bank interest income	3	80	792	385	335
Interest income from finance lease receivables	–	287	397	210	162
Sales of scrap materials	370	1,044	2,091	495	601
Others	8	275	57	49	42
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	381	1,686	3,337	1,139	1,140

5 OTHER NET (LOSS)/INCOME

	Year ended 31 March			Six months ended 30 September	
	2012	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Net (loss)/gain on disposal of property, plant and equipment	(16)	277	12	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Year ended 31 March			Six months ended 30 September	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000
				(Unaudited)	
(a) Finance costs					
Interest on bank overdrafts	12	5	7	7	59
Finance charges on obligations under finance leases	20	344	406	286	184
	<u>32</u>	<u>349</u>	<u>413</u>	<u>293</u>	<u>243</u>
(b) Staff costs (including directors' remuneration)					
Contributions to defined contribution retirement plans	533	569	614	259	339
Salaries, wages and other benefits	14,376	15,923	19,000	7,895	8,250
	14,909	16,492	19,614	8,154	8,589
Less: Amount included in construction contracts in progress	(11,863)	(12,680)	(14,958)	(6,218)	(6,525)
	<u>3,046</u>	<u>3,812</u>	<u>4,656</u>	<u>1,936</u>	<u>2,064</u>
(c) Other items					
Depreciation	627	708	554	259	241
Property, plant and equipment written off	260	–	–	–	–
Operating lease charges: minimum lease payments in respect of leasing of office	804	804	804	402	402
Listing expenses	–	–	–	–	2,312
Auditors' remuneration	27	28	28	–	390

7 INCOME TAX

- (a) Income tax in the combined statements of profit or loss and other comprehensive income represents:

	Year ended 31 March			Six months ended 30 September	
	2012	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Current tax					
Provision for Hong Kong Profits					
Tax for the year/period	<u>11,773</u>	<u>15,726</u>	<u>12,159</u>	<u>7,873</u>	<u>4,908</u>

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and British Virgin Islands.
- (ii) The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the Relevant Periods, taking into account a reduction of 75% of the tax payable for the year of assessment 2013-14 subject to a maximum reduction of \$10,000 granted by the Government of the Hong Kong Special Administrative Region (the "Government") for each business (2013: the same statutory concession was granted for the year of assessment 2012-13 and was taken into account in calculating the provision for 2013; 2012: a reduction of 75% of the tax payable for the year of assessment 2011-12 subject to a maximum reduction of \$12,000 for each business and was taken into account in calculating the provision for 2012).
- (b) Reconciliation between income tax expense and accounting profit before taxation at applicable tax rate:

	Year ended 31 March			Six months ended 30 September	
	2012	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Profit before taxation	<u>70,618</u>	<u>95,027</u>	<u>73,136</u>	<u>47,674</u>	<u>27,013</u>
Notional tax on profit before taxation, calculated at the rate applicable to the profit in the jurisdictions concerned	11,652	15,679	12,067	7,866	4,457
Tax effect of non-deductible expenses	41	45	99	–	431
Tax effect of deductible temporary difference not recognised	92	12	3	17	20
Statutory tax concession	<u>(12)</u>	<u>(10)</u>	<u>(10)</u>	<u>(10)</u>	<u>–</u>
Actual income tax expense	<u>11,773</u>	<u>15,726</u>	<u>12,159</u>	<u>7,873</u>	<u>4,908</u>

(c) Income tax in the combined statements of financial position represents:

Current taxation

	At 31 March			At 30 September
	2012	2013	2014	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Provision for Hong Kong Profits Tax for the year/period	11,773	15,726	12,159	4,908
Provisional Profits Tax paid	<u>(11,142)</u>	<u>(12,232)</u>	<u>(14,501)</u>	<u>–</u>
	631	3,494	(2,342)	4,908
Balance of Hong Kong Profits Tax payable relating to prior years	<u>11,152</u>	<u>10,705</u>	<u>11,939</u>	<u>9,597</u>
Tax payable	<u><u>11,783</u></u>	<u><u>14,199</u></u>	<u><u>9,597</u></u>	<u><u>14,505</u></u>

(d) There were no material unrecognised deferred tax assets and liabilities as at 31 March 2012, 2013 and 2014 and 30 September 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				Total <i>HK\$'000</i>
	Directors' fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Bonuses <i>HK\$'000</i>	Retirement scheme contributions <i>HK\$'000</i>	
Executive Directors					
Mr. Lau Pak Man	–	68	–	3	71
Mr. Cheng Wing Cheong	–	68	–	3	71
Ms. Kwan Kit Sum Kit (Note (iii))	<u>–</u>	<u>640</u>	<u>200</u>	<u>12</u>	<u>852</u>
Total	<u><u>–</u></u>	<u><u>776</u></u>	<u><u>200</u></u>	<u><u>18</u></u>	<u><u>994</u></u>

Year ended 31 March 2013

	Directors' fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Bonuses <i>HK\$'000</i>	Retirement scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
Executive Directors					
Mr. Lau Pak Man	–	98	–	5	103
Mr. Cheng Wing Cheong	–	98	–	5	103
Ms. Kwan Kit Sum Kit (Note (iii))	–	840	210	15	1,065
Total	–	1,036	210	25	1,271

Year ended 31 March 2014

	Directors' fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Bonuses <i>HK\$'000</i>	Retirement scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
Executive Directors					
Mr. Lau Pak Man	–	80	–	4	84
Mr. Cheng Wing Cheong	–	80	–	4	84
Ms. Kwan Kit Sum Kit (Note (iii))	–	955	236	15	1,206
Total	–	1,115	236	23	1,374

Six months ended 30 September 2013 (Unaudited)

	Directors' fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Bonuses <i>HK\$'000</i>	Retirement scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
Executive Directors					
Mr. Lau Pak Man	–	39	–	2	41
Mr. Cheng Wing Cheong	–	39	–	2	41
Ms. Kwan Kit Sum Kit (Note (iii))	–	464	–	7	471
Total	–	542	–	11	553

	Six months ended 30 September 2014				
	Directors' fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Bonuses <i>HK\$'000</i>	Retirement scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
Executive Directors					
Mr. Lau Pak Man	–	45	–	2	47
Mr. Cheng Wing Cheong	–	45	–	2	47
Ms. Kwan Kit Sum Kit (Note (iii))	–	531	–	9	540
Total	–	621	–	13	634

Notes:

- (i) No director received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the Relevant Periods. No director waived or agreed to waive any emoluments during the Relevant Periods.
- (ii) The Company did not have any share option scheme for the purchase of ordinary shares in the Company during the Relevant Periods.
- (iii) Ms. Kwan Kit Sum Kit was appointed as executive director of the Company on 29 September 2014. Ms. Kwan was the assistant project manager of In Construction Limited during the Relevant Periods before appointing as executive director of the Company. Her remuneration disclosed above included those for services rendered by her as the assistant project manager of In Construction Limited.

9 EMOLUMENTS OF FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group during the Relevant Periods include one director 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			Six months ended 30 September	
	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Salaries, allowances and benefits in kind	1,606	1,836	1,901	926	1,066
Discretionary bonuses	433	323	706	–	–
Retirement scheme contributions	48	58	60	29	34
	2,087	2,217	2,667	955	1,100

The emoluments of the above individuals are within the following bands:

	Year ended 31 March			Six months ended 30 September	
	2012	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Nil to HK\$1,000,000	4	4	4	4	4

10 DIVIDENDS

No dividend was declared or paid by the Company during the Relevant Periods to its equity shareholders.

During the years ended 31 March 2012 and 2013 and six months ended 30 September 2014, dividends of HK\$12,300,000, HK\$102,300,000 and HK\$186,000,000 were declared by In Construction Limited to the then shareholders.

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 PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Office equipment HK\$'000	Total HK\$'000
Cost:						
At 1 April 2011	668	643	550	1,551	1,400	4,812
Additions	149	–	–	–	1	150
Written off	–	–	–	(650)	–	(650)
Disposals	–	–	–	(30)	–	(30)
At 31 March 2012	817	643	550	871	1,401	4,282
At 1 April 2012	817	643	550	871	1,401	4,282
Additions	138	–	1	699	63	901
Disposals	–	–	–	(525)	–	(525)
At 31 March 2013	955	643	551	1,045	1,464	4,658
At 1 April 2013	955	643	551	1,045	1,464	4,658
Additions	53	–	5	209	12	279
Disposals	–	–	–	(60)	–	(60)
At 31 March 2014	1,008	643	556	1,194	1,476	4,877
At 1 April 2014	1,008	643	556	1,194	1,476	4,877
Additions	54	–	17	–	40	111
At 30 September 2014	1,062	643	573	1,194	1,516	4,988

	Plant and machinery HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Office equipment HK\$'000	Total HK\$'000
Accumulated depreciation:						
At 1 April 2011	226	413	511	854	1,150	3,154
Charge for the year	163	89	19	249	107	627
Written off	-	-	-	(390)	-	(390)
Written back on disposals	-	-	-	(9)	-	(9)
At 31 March 2012	<u>389</u>	<u>502</u>	<u>530</u>	<u>704</u>	<u>1,257</u>	<u>3,382</u>
At 1 April 2012	389	502	530	704	1,257	3,382
Charge for the year	191	89	20	296	112	708
Written back on disposals	-	-	-	(473)	-	(473)
At 31 March 2013	<u>580</u>	<u>591</u>	<u>550</u>	<u>527</u>	<u>1,369</u>	<u>3,617</u>
At 1 April 2013	580	591	550	527	1,369	3,617
Charge for the year	159	52	2	301	40	554
Written back on disposals	-	-	-	(60)	-	(60)
At 31 March 2014	<u>739</u>	<u>643</u>	<u>552</u>	<u>768</u>	<u>1,409</u>	<u>4,111</u>
At 1 April 2014	739	643	552	768	1,409	4,111
Charge for the period	82	-	2	136	21	241
At 30 September 2014	<u>821</u>	<u>643</u>	<u>554</u>	<u>904</u>	<u>1,430</u>	<u>4,352</u>
Net book value:						
At 31 March 2012	<u>428</u>	<u>141</u>	<u>20</u>	<u>167</u>	<u>144</u>	<u>900</u>
At 31 March 2013	<u>375</u>	<u>52</u>	<u>1</u>	<u>518</u>	<u>95</u>	<u>1,041</u>
At 31 March 2014	<u>269</u>	<u>-</u>	<u>4</u>	<u>426</u>	<u>67</u>	<u>766</u>
At 30 September 2014	<u>241</u>	<u>-</u>	<u>19</u>	<u>290</u>	<u>86</u>	<u>636</u>

(a) Fixed assets held under finance leases

Certain machinery was held under finance leases and their net book value is analysed as follows:

	At 31 March			At 30
	2012	2013	2014	September
	HK\$'000	HK\$'000	HK\$'000	2014
				HK\$'000
Cost – Capitalised finance lease	525	699	699	699
Accumulated depreciation	<u>(473)</u>	<u>(209)</u>	<u>(419)</u>	<u>(524)</u>
Net book value	<u>52</u>	<u>490</u>	<u>280</u>	<u>175</u>

During the year ended 31 March 2013, additions to motor vehicles of the Group financed by new finance leases were HK\$699,000.

13 TRADE AND OTHER RECEIVABLES

	At 31 March			At 30 September
	2012	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade debtors	65,875	90,384	57,403	80,578
Deposits, prepayments and other receivables (<i>note (i)</i>)	39,827	8,107	7,554	6,395
Retentions receivable (<i>note (ii)</i>)	45,604	50,019	61,459	67,075
Amounts due from shareholders (<i>note (iii)</i>)	70,111	63,826	91,493	–
	<u>221,417</u>	<u>212,336</u>	<u>217,909</u>	<u>154,048</u>

Notes:

- (i) Except for the amounts of HK\$2,728,000, HK\$986,000, HK\$926,000 and HK\$874,000 as at 31 March 2012, 2013 and 2014 and 30 September 2014 respectively, which were expected to be recovered or recognised as expense after one year, all of the remaining balances are expected to be recovered or recognised as expense within one year.
- (ii) Except for the amounts of HK\$26,276,000, HK\$45,570,000, HK\$22,358,000 and HK\$12,253,000 as at 31 March 2012, 2013 and 2014 and 30 September 2014 respectively, which were expected to be recovered after one year, all of the remaining balances are expected to be recovered within one year.
- (iii) The amounts due from shareholders are unsecured, interest-free and have no fixed terms of repayment. The amounts were fully settled during the six months ended 30 September 2014.

(a) Ageing analysis

Included in trade and other receivables are trade debtors, based on the invoices date (or date of turnover recognition, if earlier) (net of allowance for doubtful debts) with the following ageing analysis at the end of the reporting period:

	At 31 March			At 30 September
	2012	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 1 month	31,081	57,421	52,733	60,976
1 to 2 months	10,523	20,631	–	9,885
2 to 3 months	14,340	–	–	7,617
Over 3 months	9,931	12,332	4,670	2,100
	<u>65,875</u>	<u>90,384</u>	<u>57,403</u>	<u>80,578</u>

Trade debtors are normally due within 14-30 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(g)(i)).

At 31 March 2012, 2013 and 2014 and 30 September 2014, none of the Group's trade debtors were considered to be impaired.

(c) Trade debtors that are not impaired

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.

14 CASH AND BANK BALANCES

(a) Cash and bank balances comprise:

	2012	At 31 March	2014	At 30
	<i>HK\$'000</i>	2013	<i>HK\$'000</i>	September
		<i>HK\$'000</i>	<i>HK\$'000</i>	2014
				<i>HK\$'000</i>
Cash at banks and in hand	4	10,611	3,097	1,608
Deposits with banks	8,123	44,642	49,917	54,795
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash and bank balances in the combined statements of financial position	8,127	55,253	53,014	56,403
Less: Restricted bank balances (<i>note</i>)	(8,123)	(44,642)	(49,917)	(54,795)
Bank overdrafts	(12,913)	–	(131)	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents in the combined cash flow statements	(12,909)	10,611	2,966	1,608
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Note: Restricted bank balances are deposits placed in banks to secure the bank overdraft facilities of the Group (see note 18) and the issuance of performance bonds (see note 22).

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	Year ended 31 March			Six months ended 30 September	
		2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000 (Unaudited)	2014 HK\$'000
Operating activities						
Profit before taxation		70,618	95,027	73,136	47,674	27,013
Adjustments for:						
Bank interest income	4	(3)	(80)	(792)	(385)	(335)
Interest income from finance lease receivables	4	–	(287)	(397)	(210)	(162)
Finance costs	6(a)	32	349	413	293	243
Depreciation	6(c)	627	708	554	259	241
Net loss/(gain) on disposal of property, plant and equipment	5	16	(277)	(12)	–	–
Property, plant and equipment written off	6(c)	260	–	–	–	–
Changes in working capital:						
Increase in trade and other receivables		(95,648)	(80,269)	(4,370)	(5,828)	(32,238)
(Increase)/decrease in gross amounts due from customers for contract work		(4,962)	(10,302)	(55,791)	11,191	20,075
Increase/(decrease) in trade and other payables		16,161	77,792	28,794	(1,873)	(9,212)
Increase/(decrease) in gross amounts due to customers for contract work		19,148	(716)	(21,558)	(12,357)	(1,523)
Cash generated from operations		<u>6,249</u>	<u>81,945</u>	<u>19,977</u>	<u>38,764</u>	<u>4,102</u>

(c) Major non-cash transactions

As disclosed in note 10 to the Financial Information, dividends of HK\$11,070,000, HK\$92,070,000 and HK\$96,809,000 for the years ended 31 March 2012 and 2013 and six months ended 30 September 2014 respectively were set off against the “Amounts due from shareholders” and/or recorded under “Amounts due to shareholders”.

15 GROSS AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	At 31 March			At 30 September
	2012	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Gross amounts due from customers for contract work				
Contract costs incurred plus recognised profits less recognised losses	371,029	935,830	1,379,693	1,227,302
Less: Progress billings received and receivable	<u>(313,250)</u>	<u>(867,749)</u>	<u>(1,255,821)</u>	<u>(1,123,505)</u>
	<u>57,779</u>	<u>68,081</u>	<u>123,872</u>	<u>103,797</u>
Gross amounts due to customers for contract work				
Progress billings received and receivable	714,989	247,240	41,010	66,953
Less: Contract costs incurred plus recognised profits less recognised losses	<u>(688,724)</u>	<u>(221,691)</u>	<u>(37,019)</u>	<u>(64,485)</u>
	<u>26,265</u>	<u>25,549</u>	<u>3,991</u>	<u>2,468</u>

All gross amounts due from/to customers for contract work are expected to be recovered/settled within one year.

16 TRADE AND OTHER PAYABLES

	At 31 March			At 30 September
	2012	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade creditors	45,669	116,444	136,297	132,007
Other payables and accruals	17,564	24,581	33,522	28,886
Amounts due to shareholders (<i>note</i>)	<u>–</u>	<u>4,650</u>	<u>–</u>	<u>89,012</u>
	<u>63,233</u>	<u>145,675</u>	<u>169,819</u>	<u>249,905</u>

Note: The amounts due to shareholders are unsecured, interest-free and have no fixed terms of repayment.

- (i) Included in trade and other payables are trade creditors, based on invoice date, with the following ageing analysis at the end of the reporting period:

	At 31 March			At 30
	2012	2013	2014	September
	HK\$'000	HK\$'000	HK\$'000	2014
				HK\$'000
Within 1 month	23,407	34,483	24,861	21,611
1 to 2 months	16,556	23,111	23,660	17,798
2 to 3 months	1,476	36,370	32,378	21,183
Over 3 months	4,230	22,480	55,398	71,415
	<u>45,669</u>	<u>116,444</u>	<u>136,297</u>	<u>132,007</u>

17 FINANCE LEASES

(a) Finance lease receivables

At 31 March 2012, 2013 and 2014 and 30 September 2014, the Group had finance lease receivables as follows:

	2012		At 31 March 2013		2014		At 30 September 2014	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 1 year	-	-	2,631	3,027	2,727	3,027	2,776	3,027
After 1 year but within 2 years	-	-	2,727	3,027	2,826	3,027	2,877	3,027
After 2 years but within 5 years	-	-	6,955	7,269	4,130	4,242	2,678	2,729
	-	-	9,682	10,296	6,956	7,269	5,555	5,756
	-	-	<u>12,313</u>	<u>13,323</u>	<u>9,683</u>	<u>10,296</u>	<u>8,331</u>	<u>8,783</u>
Less: total unearned finance income	-	-	-	(1,010)	-	(613)	-	(452)
Present value of lease receivables	-	-	<u>12,313</u>	<u>12,313</u>	<u>9,683</u>	<u>9,683</u>	<u>8,331</u>	<u>8,331</u>

(b) Obligations under finance leases

At 31 March 2012, 2013 and 2014 and 30 September 2014, the Group had obligations under finance leases repayable as follows:

	2012		At 31 March 2013		2014		At 30 September 2014	
	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000
Within 1 year	108	129	2,871	3,278	2,932	3,236	2,859	3,110
After 1 year but within 2 years	81	96	2,933	3,236	2,826	3,027	2,877	3,027
After 2 years but within 5 years	–	–	6,956	7,269	4,130	4,242	2,678	2,729
	<u>81</u>	<u>96</u>	<u>9,889</u>	<u>10,505</u>	<u>6,956</u>	<u>7,269</u>	<u>5,555</u>	<u>5,756</u>
	<u>189</u>	<u>225</u>	<u>12,760</u>	<u>13,783</u>	<u>9,888</u>	<u>10,505</u>	<u>8,414</u>	<u>8,866</u>
Less: total future interest expenses		<u>(36)</u>		<u>(1,023)</u>		<u>(617)</u>		<u>(452)</u>
Present value of lease obligations		<u>189</u>		<u>12,760</u>		<u>9,888</u>		<u>8,414</u>

18 BANK OVERDRAFTS – SECURED

At 31 March 2012, 2013 and 2014 and 30 September 2014, bank overdrafts of HK\$12,913,000, HK\$nil, HK\$131,000 and HK\$nil were secured and guaranteed by:

- legal charge with assignment of all rental in relation to certain properties held by related companies, namely Paramount Design & Construction Limited, Angus Limited, In Holdings Limited and KPJV Limited;
- charge over the fixed deposits placed with banks amounting to HK\$6,000,000 and HK\$9,080,000 at 31 March 2014 and 30 September 2014; and
- unlimited personal guarantees provided by shareholders of the Group.

Certain pledge of properties and unlimited personal guarantees provided by shareholders of the Group were released in October 2014. The remaining pledge of properties and unlimited personal guarantees provided by shareholders of the Group will be replaced by guarantees of the Company upon listing.

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 29 September 2014 and the Reorganisation of the Group was completed on 16 March 2015. For the purpose of this report, share capital as at 31 March 2012, 2013 and 2014 represented the aggregate share capital of the subsidiaries of the Group which existed at the respective dates. As at 30 September 2014, share capital represented the aggregate share capital of the Company and its subsidiaries.

(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, 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.

The Government requires contractors on the list of approved contractors for public works (the "List") to maintain such minimum working capital as the Government may from time to time determine (the "Required Minimum Working Capital"). A subsidiary of the Company is subject to the Required Minimum Working Capital as the subsidiary is a contractor on the List. Except for this, neither the Company nor of its subsidiaries are subject to externally imposed capital requirements.

20 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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 14-30 days from the date of billing. Normally, the Group does not obtain collateral from customers.

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 September 2014, 0%, 10%, 0% and 38% of the total trade debtors was due from the Group's largest customer respectively and 0%, 37%, 30% and 61% 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.

Given the loans from shareholders at 31 March 2012, 2013 and 2014 and 30 September 2014 and the amounts due to shareholders at 31 March 2013 and 30 September 2014 have no fixed repayment terms (see notes 16 and 23(c)), it is not practical to disclose their remaining contractual maturities at the end of the reporting period. Except for these, the following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) 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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank overdrafts – secured	12,913	12,913	12,913	–	–
Trade creditors	45,669	45,669	45,669	–	–
Obligations under finance leases	189	225	129	96	–
	<u>58,771</u>	<u>58,807</u>	<u>58,711</u>	<u>96</u>	<u>–</u>

	At 31 March 2013				
	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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade creditors	116,444	116,444	116,444	–	–
Obligations under finance leases	12,760	13,783	3,278	3,236	7,269
	<u>129,204</u>	<u>130,227</u>	<u>119,722</u>	<u>3,236</u>	<u>7,269</u>

	At 31 March 2014				
	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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank overdrafts – secured	131	131	131	–	–
Trade creditors	136,297	136,297	136,297	–	–
Obligations under finance leases	9,888	10,505	3,236	3,027	4,242
	<u>146,316</u>	<u>146,933</u>	<u>139,664</u>	<u>3,027</u>	<u>4,242</u>

	At 30 September 2014				
	Carrying amount <i>HK\$'000</i>	Total contractual undiscounted cash flow <i>HK\$'000</i>	Within 1 year or on demand <i>HK\$'000</i>	More than 1 year but less than 2 years <i>HK\$'000</i>	More than 2 years but less than 5 years <i>HK\$'000</i>
Trade creditors	132,007	132,007	132,007	–	–
Obligations under finance leases	8,414	8,866	3,110	3,027	2,729
	<u>140,421</u>	<u>140,873</u>	<u>135,117</u>	<u>3,027</u>	<u>2,729</u>

(c) Interest rate risk

At 31 March 2012, 2013 and 2014 and 30 September 2014, the Group did not hold any assets and liabilities which are exposed to significant interest risk.

(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 September 2014.

21 COMMITMENTS**(a) Capital commitments outstanding at 31 March 2012, 2013 and 2014 and 30 September 2014 not provided for in this Financial Information were as follows:**

	At 31 March			At 30 September
	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Contracted for	<u>6,200</u>	<u>–</u>	<u>–</u>	<u>–</u>

(b) At 31 March 2012, 2013 and 2014 and 30 September 2014, the Group's total future minimum lease payments under non-cancellable operating leases were payable as follows:

	At 31 March			At 30 September
	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 1 year	900	906	242	912
After 1 year but within 5 years	<u>1,290</u>	<u>405</u>	<u>180</u>	<u>1,533</u>
	<u>2,190</u>	<u>1,311</u>	<u>422</u>	<u>2,445</u>

The Group is the lessee in respect of an office and items of office equipment held under operating leases. The leases typically run for an initial period of 5 years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

22 CONTINGENT LIABILITIES

- (a) At 31 March 2012, 2013 and 2014 and 30 September 2014, the Group had contingent liabilities in respect of performance bonds to guarantee for the due and proper performance of the objections undertaken by the Group's subsidiaries for projects amounting to HK\$54,920,000, HK\$57,976,000, HK\$90,659,000 and HK\$98,299,000, respectively.
- (b) During the Relevant Periods, works carried out for the Ma Tau Wai Road project commenced in August 2012 and were scheduled to be completed in July 2013 according to contract. Nonetheless, abnormal ground settlement occurred adjacent to the site (the "Incident") during the early stages of works, resulting in a suspension of the works for approximately five months from February to June 2013. Remedial works had been performed and the Group was granted consent by the Buildings Department to resume work in June 2013. The works for this project was completed in February 2015. Subject to the customer granting extension of time, the Group may, however, be liable for liquidated damages payable to the customer in the amount of HK\$5,100,000 due to delay in the completion of the works pursuant to the terms of the contract. As advised by the legal counsel of the Company ("the Legal Counsel"), with regard to the owners of the adjoining properties, the Group will only incur liability if it has breached the duty to take reasonable care in the design and execution of the works carried out for the Ma Tau Wai Road project. Currently, there is no evidence of this. Further, no physical damage has been occasioned to the customer and the only potential loss it has suffered from the Incident arises from the delay to the works. The Legal Counsel is of the view that the Group will only be liable to the customer if the Incident was caused by the Group's negligence or lack of care. Currently, there is no evidence of this. In addition, contractual payments have been certified and paid to the Group by the customer without deduction of liquidated damages. The likelihood of the customer and/or the owners of the adjoining properties making successful claims against the Group appears very remote. This is particularly the case with regard to the adjoining owners since nearly 2 years has elapsed since the Incident and no claims have been made. On the basis of the advice from the Legal Counsel, the Directors are of the view that likelihood of the customer and/or the owners of the adjoining properties making successful claims against the Group is remote and accordingly no provision for potential liquidated damages has been made in this Financial Information.
- (c) During the Relevant Periods, foundation works carried out for a project of the Group at Hing Hon Road (the "Site") commenced in March 2014 and was originally expected to be completed in November 2014 according to the project's letter of award. On 4 September 2014, a building adjacent to the Site (the "Building") tilted towards the Site. Foundation works at the Site had been suspended since 5 September 2014 and remedial works were being performed. Taking into account of the progress of the remedial works, the extent of tilting of the Building and the circumstances leading to which, the communication with the Buildings Department, authorised person, registered structural engineer and registered geotechnical engineer of the project and the customers, the directors of the Group, leveraging in their experience in the industry, are of the view that the project will be delayed by not more than 16 months, and in the event that the customer does not grant an extension to the completion of the contract in accordance with its terms, the Group may face claims for liquidated damages of up to HK\$9,800,000. As advised by the Legal Counsel, as a matter of law, the Group does owe the owners or occupiers of the Building a duty to take reasonable care in carrying out of the foundation works so as to not cause any damage to the Building. However, there is no evidence of any breach of such duty. Further, as advised by the Legal Counsel, whilst the possibility exists that civil action may be taken against the Group by the owners or occupiers of the Building, given that (i) the foundation works were being executed according to the design of the engineer; (ii) there was no current evidence of any breach of duty on the part of the Group; and (iii) no damage to the Building had yet been established, the Legal Counsel is of the view that the prospect of a successful claim is likely to be limited both in terms of liability and quantum. The Legal Counsel is also of the view that both the customer and the Group are likely to suffer losses as a consequence of such delay and the sustainability of any claims for liquidated damages will necessarily hinge on the cause of damage (if any) to the Building. However, there is no current evidence that indicates any breach of the contract on part of the Group and the directors and the Legal Counsel are of the view that the prospect of a successful claim from the owners or occupiers of the Building or the customer against the Group is limited. Accordingly, no provision for potential liquidated damages has been made in this Financial Information.

23 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. Lau Pak Man	Shareholder
Mr. Cheng Wing Cheong	Shareholder
Ms. Kwan Kit Sum, Kit	Shareholder
In Holdings Limited	Jointly owned by Mr. Lau Pak Man and Ms. Kwan Kit Sum, Kit
Paramount Design & Construction Limited	99.99% owned by Mr. Lau Pak Man
Angus Limited	Wholly owned by Mr. Lau Pak Man
KPJV Limited	Jointly owned by Mr. Lau Pak Man and Ms. Kwan Kit Sum, Kit

Material related party transactions identified during the years/period and balances with these related parties at those dates are summarised as follows:

(a) Recurring transactions

	Year ended 31 March			Six months ended 30 September	
	2012	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Rental expenses paid to In Holdings Limited	804	804	804	402	402

(Unaudited)

(b) Non-recurring transactions

	Year ended 31 March			Six months ended 30 September	
	2012	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Management fee paid to Paramount Design & Construction Limited	60	-	-	-	-

(Unaudited)

Note: The directors of the Group are of opinion that the above transactions were entered into in the normal course of business.

(c) Balances with related parties

As at 31 March 2012, 2013 and 2014 and 30 September 2014, the Group had the following balances with related parties:

	At 31 March			At 30
	2012	2013	2014	September
	HK\$'000	HK\$'000	HK\$'000	2014
				HK\$'000
(i) Amounts due from shareholders				
Mr. Lau Pak Man	66,391	58,734	76,477	–
Mr. Cheng Wing Cheong	<u>3,720</u>	<u>5,092</u>	<u>15,016</u>	<u>–</u>
	<u>70,111</u>	<u>63,826</u>	<u>91,493</u>	<u>–</u>
(ii) Amounts due to shareholders (note)				
Mr. Lau Pak Man	–	–	–	3,836
Mr. Cheng Wing Cheong	–	–	–	66,592
Ms. Kwan Kit Sum Kit	<u>–</u>	<u>4,650</u>	<u>–</u>	<u>18,584</u>
	<u>–</u>	<u>4,650</u>	<u>–</u>	<u>89,012</u>
(iii) Loans from shareholders (note)				
Mr. Lau Pak Man	4,500	4,500	4,500	4,500
Mr. Cheng Wing Cheong	<u>4,500</u>	<u>4,500</u>	<u>4,500</u>	<u>4,500</u>
	<u>9,000</u>	<u>9,000</u>	<u>9,000</u>	<u>9,000</u>

Note: The loans from shareholders are unsecured, interest-free and have no fixed terms of repayment. The balances are expected to be repayable after more than one year from the end of each reporting period. The amounts due to shareholders will be settled through capitalisation issue (see note (b) of Section C below) and internal funds before listing while the loans from shareholders will be continued after listing.

(d) Key management personnel

Remuneration of key management personnel, including amounts paid to the directors are disclosed in note 8 and certain of the highest paid employees and senior management are disclosed in note 9.

	Year ended 31 March			Six months ended	
	2012	2013	2014	30 September	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Short-term employee benefits	976	1,246	1,351	542	664
Post-employment benefits	<u>18</u>	<u>25</u>	<u>23</u>	<u>11</u>	<u>13</u>
	<u>994</u>	<u>1,271</u>	<u>1,374</u>	<u>553</u>	<u>677</u>

24 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

Up to the date of issue of this Financial Information, the HKICPA has issued a number of amendments and new standards which are not yet effective for the Relevant Periods and which have not been adopted in this Financial Information. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
<i>Annual improvements to HKFRSs 2010-2012 cycle</i>	1 July 2014
<i>Annual improvements to HKFRSs 2011-2013 cycle</i>	1 July 2014
<i>Annual improvements to HKFRSs 2012-2014 cycle</i>	1 January 2016
<i>Amendments to HKAS 16 and HKAS 38, Clarification of acceptable methods of depreciation and amortisation</i>	1 January 2016
<i>HKFRS 15, Revenue from contracts with customers</i>	1 January 2017
<i>HKFRS 9, 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. The Group is therefore unable to disclose the impact that adopting the amendments and new standards will have on its financial position and results of operations when such amendments and new standards are adopted.

C. SUBSEQUENT EVENTS

The following significant events took place subsequent to 30 September 2014:

(a) Group reorganisation

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 "History, Reorganisation and Corporate Structure" in the Prospectus. After completion of the Reorganisation on 16 March 2015, the Company became the holding company of the Group.

(b) Settlement of the amounts due to the shareholders and capitalisation issue

Subsequent to 30 September 2014, the Group settled a total amount of HK\$30,000,000 for the amounts due to shareholders, Mr. Lau, Mr. Cheng and Ms. Kwan.

Pursuant to the written resolutions of the Company's shareholders passed on 20 March 2015, the amounts due to Mr. Lau, Mr. Cheng and Ms. Kwan as at 20 March 2015, being HK\$26,685,000, HK\$26,685,000 and HK\$5,930,000 respectively, were capitalised by allotting and issuing 287,100,000, 287,100,000 and 63,800,000 new shares of the Company, credited as fully paid, to In Play Limited, Wealth Celebration Limited and Kinetic Kingdom Limited at the directions of Mr. Lau, Mr. Cheng and Ms. Kwan, respectively. After such capitalisation issue, the shareholdings of the Company held by the respective shareholders remained unchanged.

D. FINANCIAL INFORMATION OF THE COMPANY

The Company was incorporated on 29 September 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.

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 September 2014. 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 September 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 is for illustration purposes only, and is set forth herein to illustrate the effect of the Share Offer on our combined net tangible assets as of 30 September 2014 as if the Share Offer had taken place on 30 September 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 had the Share Offer been completed as at 30 September 2014 or at any future dates.

	Combined net tangible assets attributable to equity shareholders of our Company as at 30 September 2014 ⁽¹⁾ <i>HK\$'000</i>	Estimated net proceeds from the Share Offer ⁽²⁾ <i>HK\$'000</i>	Unaudited pro forma adjusted net tangible assets ⁽³⁾ <i>HK\$'000</i>	Unaudited pro forma adjusted net tangible assets per Share ⁽⁴⁾ <i>HK\$</i>
Based on an Offer Price of HK\$0.8 per share	38,923	105,223	144,146	0.18
Based on an Offer Price of HK\$0.4 per share	38,923	45,383	84,306	0.11

Notes:

- (1) The combined net tangible assets attributable to equity holders of our Company as at 30 September 2014 is compiled based on the combined financial information included in the Accountants' Report as set out in Appendix I to this prospectus. The Group had no goodwill or other intangible assets as at 30 September 2014.
- (2) The estimated net proceeds from the Share Offer are based on the Offer Price of HK\$0.4 per Offer Share or HK\$0.8 per Offer Share, being the low or high end of the stated Offer Price range, after deduction of the underwriting fees and other listing-related expenses of approximately HK\$18.6 million or HK\$22.8 million based on the Offer Price of HK\$0.4 per Offer Share or HK\$0.8 per Offer Share respectively (excluding approximately HK\$2.9 million listing-related expenses which have been

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

accounted for prior to 30 September 2014 and approximately HK\$0.6 million or HK\$1.6 million underwriting fees borne by the Selling Shareholders for the sale of Sale Shares based on the Offer Price of HK\$0.4 per Offer Share or HK\$0.8 per Offer Share respectively) payable by our Group.

- (3) No adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2014.
- (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 800,000,000 Shares were in issue immediately following the completion of the Share Offer. It does not take into account of any Shares that may be issued pursuant to the issuing mandate or the exercise of the Adjustment Options, or any Shares which may be repurchased pursuant to the repurchase mandate.

B. UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE

The unaudited pro forma forecast earnings per Share for the year ending 31 March 2015 have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Share Offer as if they had taken place on 1 April 2014. This unaudited pro forma forecast earnings per Share has been prepared for illustrative purposes only and because of its hypothetical nature, may not provide a true picture of our financial results for the year ending 31 March 2015 or for any future periods.

**For the year ending
31 March 2015**

Forecast combined profit attributable to equity holders of
our Company ⁽¹⁾ not less than HK\$68 million

Unaudited pro forma forecast earnings per Share ⁽²⁾ not less than HK\$0.085

Notes:

- (1) The basis and assumptions on which the above profit forecast for the year ending 31 March 2015 has been prepared are summarised in Part (A) of Appendix III to this prospectus. The Directors have prepared the forecast combined profit attributable to equity holders of the Company for the year ending 31 March 2015 based on the audited combined results of the Company for the 6 months ended 30 September 2014, unaudited combined result of the Company for the 5 months ended 28 February 2015 and forecast combined results of the Company for the period from 1 March 2015 to 31 March 2015.
- (2) The calculation of unaudited pro forma forecast earning per Share is based on the forecast combined profit attributable to equity holders of our Company for the year ending 31 March 2015 and on the assumption that a total of 800,000,000 Shares were in issue during the year ending 31 March 2015, taking no account of any shares which may be issued upon the exercise of Adjustment Options.

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

31 March 2015

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF IN CONSTRUCTION HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of In Construction 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 September 2014 and the unaudited pro forma forecast earnings per share for the year ending 31 March 2015 and related notes as set out in Part A and B of Appendix II to the prospectus dated 31 March 2015 (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 and B of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Share Offer") on the Group's financial position as at 30 September 2014; and the forecast earnings per share of the Company for the year ending 31 March 2015 as if the Share Offer had taken place at 30 September 2014 and 1 April 2014, respectively. As part of this process, information about the Group's financial position as at 30 September 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. Information about the Group's forecast of the combined profit attributable to the equity holders of the Company for the year ending 31 March 2015 (the "Profit Forecast") has been extracted by the Directors from the section headed "Financial Information" in the Prospectus on which a letter from us has been published as set out in Appendix III 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 September 2014 or 1 April 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

Our forecast of the combined profit for the year ending 31 March 2015 is set out in the section headed “Financial Information – Profit Forecast for the year ending 31 March 2015” in this prospectus.

A. PROFIT FORECAST FOR THE YEAR ENDING 31 MARCH 2015

The Profit Forecast of our Group for the year ending 31 March 2015 prepared by our Directors is based on the audited results of our Group for the six months ended 30 September 2014. Our Directors are not aware of any extraordinary items which have arisen or are likely to arise during the year ending 31 March 2015. The forecast has been prepared on the basis consistent in all material respects with the accounting policies currently adopted by our Group as summarised in the Accountants’ Report, the text of which is set out in Appendix I to this prospectus and the principal assumptions set out below.

Principal Assumptions for the Profit Forecast

The principal assumptions adopted by our Directors in preparing the profit forecast are as follows:

- There will be no material changes in the existing political, legal, fiscal, economic or regulatory conditions in Hong Kong or in the countries or territories in which our Group operates or has arrangements or agreements, which may have adverse effect on the business of our Group;
- There will be no material changes in the bases or rates of taxation in Hong Kong or in the countries or territories in which our Group operates or in the countries in which our Company or our subsidiaries were incorporated;
- There will be no material change in the inflation rate, interest rate, tariff and duties in Hong Kong and any other places in which our Group operates from those currently prevailing;
- Our Group’s operations, results and financial condition will not be materially and adversely affected by the risk factors set forth in the section headed “Risk Factors” in this prospectus;
- Our Group will be able to continually obtain adequate finance for its business and to operate as going concern in the foreseeable future; and
- Our Group’s operations and business will not be materially affected or interrupted by any force majeure events or unforeseeable factors or any unforeseeable reasons that are beyond the control of our Directors, including but not limited to the occurrence of natural disasters, supply failure, labour dispute, significant lawsuit and arbitration.

Profit forecast for the year ending 31 March 2015

**For the year
ending 31 March 2015**

Forecast combined profit attributable to equity holders of our Company	not less than HK\$68 million
Unaudited pro forma forecast earnings per Share ^(Note)	not less than HK\$0.085

Note: The calculation of the unaudited pro forma forecast earnings per Share is based on the forecast combined profit attributable to equity holders of our Company for the year ending 31 March 2015 and on the assumption that a total of 800,000,000 Shares were in issue during the year ending 31 March 2015, taking no account of any Shares which may be issued upon the exercise of the Adjustment Options.

B. LETTER FROM THE REPORTING ACCOUNTANTS ON PROFIT FORECAST

The following is the text of a letter received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's profit forecast for the purpose of inclusion in this prospectus.



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

31 March 2015

The Directors
In Construction Holdings Limited

Oriental Patron Asia Limited

Dear Sirs,

In Construction Holdings Limited ("the Company")

Profit Forecast for the Year Ending 31 March 2015

We refer to the forecast of the combined profit attributable to equity holders of the Company for the year ending 31 March 2015 ("the Profit Forecast") set forth in the section headed "Financial Information" in the prospectus of the Company dated 31 March 2015 ("the Prospectus").

Responsibilities

The Profit Forecast has been prepared by the directors of the Company based on the audited combined results of the Company and its subsidiaries (collectively referred to as "the Group") for the six months ended 30 September 2014, the unaudited combined results based on the management accounts of the Group for the five months ended 28 February 2015 and a forecast of the combined results of the Group for the remaining one month ending 31 March 2015.

The Company's directors are solely responsible for the Profit Forecast. It is our responsibility to form an opinion on the accounting policies and calculations of the Profit Forecast based on our procedures.

Basis of opinion

We carried out our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" and with reference to Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than

Audits or Reviews of Historical Financial Information” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company’s directors have properly compiled the Profit Forecast in accordance with the assumptions made by the directors and as to whether the Profit Forecast is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Forecast has been properly compiled in accordance with the bases and assumptions adopted by the directors as set out in Appendix III of the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants’ report dated 31 March 2015, the text of which is set out in Appendix I of the Prospectus.

Yours faithfully,

KPMG

Certified Public Accountants

Hong Kong

C. LETTER FROM THE SPONSOR

The following is the text of a letter, prepared for inclusion in this prospectus by Oriental Patron Asia Limited in connection with the forecast combined profit attributable to the equity holders of our Company for the year ending 31 March 2015.



27/F, Two Exchange Square
8 Connaught Place
Central, Hong Kong

31 March 2015

The Directors
In Construction Holdings Limited

Dear Sirs,

We refer to the forecast of the combined profit attributable to the equity holders of In Construction Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) for the year ending 31 March 2015 (the “Forecast”) as set out in the section headed “Financial Information” of the prospectus of the Company dated 31 March 2015 (the “Prospectus”).

We have discussed with you the bases and assumptions made by the Directors of the Company as set out in Appendix III to the prospectus upon which the Forecast has been made. We have also considered, and relied upon, the letter dated 31 March 2015 addressed to you and us from KPMG regarding the accounting policies and calculations upon which the Forecast has been made.

On the basis of the foregoing and on the bases and assumptions made by you and the accounting policies and calculations adopted by you and reviewed by KPMG, we are of the opinion that the Forecast, for which you as Directors of the Company are solely responsible, has been made after due and careful enquiry and consideration.

Yours faithfully,
For and on behalf of
Oriental Patron Asia Limited
Karlson Chan
Director

APPENDIX IV 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 29 September 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 conditionally adopted on 26 March 2015 and effective on the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Share certificates*

Every person whose name is entered as a member in the register of members shall be entitled to receive a certificate for his shares. No shares shall be issued to bearer.

Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, and shall be signed autographically by one Director and the Secretary, or by 2 Directors, or by some other person(s) appointed by the Board for the purpose. As regards any certificates for shares or debentures or other securities of the Company, the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical

**APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY
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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.

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Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iii) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors and their 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.

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(v) *Disclosure of interest in contracts with the Company or with any of its subsidiaries*

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and, upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any Share by reason that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposal in which he or his 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;

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- (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
- (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.

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Any Director who, at the request of the Company performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with other companies (being subsidiaries of the Company or with which the Company is associated in business), or may make contributions out of the Company's monies to, such schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

In addition, the Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

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At each annual general meeting, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of such notices will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting and the minimum length of the period during which such notices to the Company may be given must be at least 7 days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to the Board or retirement therefrom.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. The number of Directors shall not be less than two.

In addition to the foregoing, the office of a Director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office or head office of the Company for the time being or tendered at a meeting of the Board;
- (bb) if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;
- (cc) if, without special leave, he is absent from meetings of the Board for six (6) consecutive months, and the Board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

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- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles;
- (gg) if he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or
- (hh) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director or Directors and other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(viii) Borrowing powers

Pursuant to the Articles, the Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The provisions summarized above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of the Company.

(ix) Register of Directors and officers

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

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(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 authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Alteration of capital

The Company may, by an ordinary resolution of its members, (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; and (e) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by

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any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

Reduction of share capital – subject to the Companies Law and to confirmation by the court, a company limited by shares may, if so authorised by its Articles of Association, by special resolution, reduce its share capital in any way.

(f) Special resolution – majority required

In accordance with the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. However, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 clear days' notice has been given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An “ordinary resolution”, by contrast, is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 14 clear days' notice has been given and held in accordance with the Articles. A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(g) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote, and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully

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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.

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Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(h) Annual general meetings

The Company must hold an annual general meeting each year. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(i) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the assets and liabilities of the Company and of all other matters required by the Companies Law necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account or book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who has, in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles), consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles), and must be sent to the shareholders not less than 21 days before the general meeting to those shareholders that have consented and elected to receive the summarized financial statements.

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The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(j) Notices of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution must be called by at least 21 days' notice in writing, and any other extraordinary general meeting shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting, and particulars of the resolution(s) to be considered at that meeting, and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in the Company's register of members or by leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available. Subject to the Companies Law and the Listing Rules, a notice or document may be served or delivered by the Company to any member by electronic means to such address as may from time to time be authorised by the member concerned or by publishing it on a website and notifying the member concerned that it has been so published.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the issued shares giving that right.

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All business transacted at an extraordinary general meeting shall be deemed special business and all business shall also be deemed special business where it is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of Directors in place of those retiring;
- (dd) the appointment of auditors;
- (ee) the fixing of the remuneration of the Directors and of the auditors;
- (ff) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares of the Company representing not more than 20% in nominal value of its existing issued share capital (or such other percentage as may from time to time be specified in the rules of the Stock Exchange) and the number of any securities repurchased by the Company since the granting of such mandate; and
- (gg) the granting of any mandate or authority to the Board to repurchase securities in the Company.

(k) Transfer of shares

Subject to the Companies Law, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve provided always that it shall be in such form prescribed by the Stock Exchange and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers in any case in which it in its discretion thinks fit to do so, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

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Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share option scheme upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognize any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules (as defined in the Articles), be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

(I) 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.

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(m) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(n) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared on the share capital of the Company, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

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Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of the Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such address as the holder or joint holders may in writing so direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20 % per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(o) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or

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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 authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(p) Calls on shares and forfeiture of shares

The Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is

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to be made, and it shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(q) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. However, the members of the Company will have such rights as may be set forth in the Articles. The Articles provide that for so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of member is closed) without charge and require the provision to him of copies or extracts thereof in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may, from time to time, think fit.

(r) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

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(s) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(t) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, on the shares held by them respectively.

In the event that the Company is wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

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(u) Untraceable members

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

In accordance with the Articles, the Company is entitled to sell any of the shares of a member who is untraceable if:

- (i) all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years;
- (ii) upon the expiry of the 12 years and 3 months period (being the 3 months notice period referred to in sub-paragraph (iii)), the Company has not during that time received any indication of the existence of the member; and
- (iii) the Company has caused an advertisement to be published in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the stock exchange of the Relevant Territory (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(v) Subscription rights reserve

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 29 September 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.

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(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 authorised share capital.

(b) Share capital

In accordance with the Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, the Companies Law provides that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

It is further provided by the Companies Law that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

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The Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company when proposing to grant such financial assistance discharge their duties of care and acting in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. Nonetheless, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares without the manner and terms of purchase first being authorised by an ordinary resolution of the company. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Under Section 37A(1) the Companies Law, shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if (a) the memorandum and articles of association of the company do not prohibit it from holding treasury shares; (b) the relevant provisions of the memorandum and articles of association (if any) are complied with; and (c) the company is authorised in accordance with the company's articles of association or by a resolution of the directors to hold such shares in the name of the company as treasury shares prior to the purchase, redemption or surrender

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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.

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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 (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

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(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 14 October 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.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. The Companies Law contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Winding up

A Cayman Islands company may be wound up either by (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company occurs where 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.

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When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order shall take effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, there may be appointed one or more persons to be called an official liquidator or official liquidators; and the court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one persons are appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(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

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discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(r) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

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 29 September 2014. Our Company has established a principal place of business in Hong Kong at 26/F, Park Avenue Tower, 5 Moreton Terrace, Causeway Bay, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 12 November 2014. Chow Chun To 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. The address for service of process and notices in Hong Kong is 26/F, Park Avenue Tower, 5 Moreton Terrace, Causeway Bay, Hong Kong.

As our Company was incorporated in the Cayman Islands, it is subject to the Companies Law and its constitution which comprises the Memorandum and the Articles. A summary of various provisions of its constitution and relevant aspects of the Companies Law is set out in Appendix IV to this prospectus.

2. Changes in share capital of our Company

- (a) As at the date of incorporation, the authorised share capital of our Company was HK\$380,000.0 divided into 38,000,000 Shares of par value HK\$0.01 each of which 1,000,000 Shares were allotted and issued and held as to 45.0%, 45.0% and 10.0% by In Play, Wealth Celebration and Kinetic Kingdom, respectively on 1 October 2014.
- (b) Pursuant to the written resolutions of the Shareholders passed on 16 March 2015, the authorised share capital of our Company was increased from HK\$380,000.0 to HK\$20,000,000.0 by the creation of additional 1,962,000,000 Shares.
- (c) On 16 March 2015, a sale and purchase agreement was entered into between our Company, In Construction BVI, Mr. Lau, Mr. Cheng and Ms. Kwan, pursuant to which Mr. Lau, Mr. Cheng and Ms. Kwan transferred to In Construction BVI the entire issued shares legally and beneficially owned by Mr. Lau, Mr. Cheng and Ms. Kwan in In Construction, the consideration of which was satisfied by our Company allotting and issuing 450,000, 450,000 and 100,000 new Shares, credited as fully paid, to In Play, Wealth Celebration and Kinetic Kingdom, respectively.
- (d) On 20 March 2015, In Construction, our Company, Mr. Lau, Mr. Cheng and Ms. Kwan entered into a deed of transfer, pursuant to which the obligations and liabilities under the amount due from In Construction to its then shareholders, namely Mr. Lau, Mr. Cheng and Ms. Kwan, in an aggregate amount of HK\$59.3 million were transferred from In Construction to our Company. Pursuant to the written resolutions of the Shareholders passed on 20 March 2015, the amounts due to Mr. Lau, Mr. Cheng and Ms. Kwan,

which amounted to approximately HK\$26.7 million, HK\$26.7 million and HK\$5.9 million, respectively as at 20 March 2015 were capitalised by our Company allotting and issuing 287,100,000, 287,100,000 and 63,800,000 new Shares, credited as fully paid, to In Play, Wealth Celebration and Kinetic Kingdom at the direction of Mr. Lau, Mr. Cheng and Ms. Kwan, respectively.

- (e) Immediately following completion of the Reorganisation, the authorised share capital of our Company will be HK\$20,000,000.0 divided into 2,000,000,000 Shares, of which 640,000,000 Shares have been allotted and issued, fully paid or credited as fully paid, and 1,360,000,000 Shares will remain unissued.
- (f) Other than pursuant to the Share Offer, the exercise of the Adjustment Options and the general mandate to issue Shares referred to in the paragraph headed “Written resolutions of the existing Shareholders” in this appendix, our Company does not have any present intention to issue any part of the authorised but unissued share capital of our Company and, without prior approval of the Shareholders in a general meeting, no issue of Shares will be made which would effectively alter the control of our Company.
- (g) Save as disclosed in this prospectus, there has been no alteration in the share capital of our Company since the date of its incorporation.

3. Written resolutions of the existing Shareholders

On 26 March 2015, resolutions in writing were passed by the existing Shareholders pursuant to which, among other things:

- (a) conditional upon the listing of the Shares on the Stock Exchange, our Company approved and adopted the Memorandum and the Articles, the terms of which are summarised in Appendix IV to this prospectus, with effect from the Listing Date;
- (b) conditional on (i) the Listing Committee granting the approval for the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned in this prospectus (including any Shares which may fall to be issued upon the exercise of any of the Adjustment Options); (ii) our Company having submitted to the HKSCC all requisite documents to enable the Share to be admitted to trade on the Stock Exchange; (iii) the execution and delivery of the Placing Underwriting Agreement on or around the Price Determination Date and (iv) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise: (A) the Share Offer (including the grant of the Adjustment Options) was approved and our Directors were authorised to allot and issue the New Shares pursuant to the Share Offer; (B) the grant of the Adjustment Options was approved and our Directors were authorised to allot and issue up to 30,000,000 additional Shares pursuant to the exercise of the Adjustment Options, in each case to rank *pari passu* with the existing Shares in all respects.

- (c) conditional upon the fulfilment of the conditions stated in the paragraph headed “Structure and Conditions of the Share Offer – Conditions of the Public Offer” in this prospectus, a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue or any Shares allotted and issued in lieu of the whole or part of a dividend on Shares or similar arrangement in accordance with the Articles or pursuant to a specific authority granted by the Shareholders in general meeting or pursuant to the Share Offer, Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements and options which might require the exercise of such power, with an aggregate nominal value not exceeding 20.0% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer (without taking into account of Shares which may be allotted and issued pursuant to the exercise of the Adjustment Options), such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting;
- (d) conditional upon the fulfilment of the conditions stated in the paragraph headed “Structure and Conditions of the Share Offer – Conditions of the Public Offer” in this prospectus, a general unconditional mandate was given to the Directors authorising them to exercise all powers of our Company to repurchase on Main Board 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 10.0% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer (without taking into account of Shares which may be allotted and issued pursuant to the exercise of the Adjustment Options), such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting;

- (e) the general unconditional mandate mentioned in sub-paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (d) above, provided that such extended amount shall not exceed 10.0% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer.

4. Reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the Listing, details of which are set out in the paragraph headed “History, Reorganisation and Corporate Structure – Reorganisation” in this prospectus. Following the Reorganisation, our Company became the holding company of our Group.

Diagrams showing our Group structure after the Reorganisation and the Share Offer, but without taking into account of Shares that may be allotted and issued under the Adjustment Options, are set out in the paragraph headed “History, Reorganisation and Corporate Structure – Reorganisation” in this prospectus.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the Accountants’ Report of our Company, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in the paragraph headed “Reorganisation” in this appendix and in the section headed “History, Reorganisation and Corporate Structure” 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 by our Company of our own securities

This section contains information required by the Stock Exchange to be included in this prospectus concerning the repurchase of Shares by our Company.

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Main Board to repurchase their securities on the Main Board subject to certain restrictions, a summary of which is set out below:

(i) Shareholders' approval

The Listing Rules provide that all proposed repurchases of shares, which must be fully paid up in the case of shares, by a company with a primary listing on the Main Board must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions passed by the Shareholders on 26 March 2015, a general unconditional mandate (the "Repurchase Mandate") was granted to our Directors authorising them to exercise all powers of our Company to repurchase on the Main Board 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 10.0% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Share Offer (without taking into account of Shares which may be allotted and issued pursuant to the exercise of the Adjustment Options) and the Repurchase Mandate shall remain in effect until whichever is the earliest of the conclusion of the next annual general meeting of our Company, or 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 the Shareholders in a general meeting.

(ii) Source of Funds

Any repurchase by our Company must be funded out of funds legally available for the purpose in accordance with the Articles, the applicable laws of the Cayman Islands and the Listing Rules. Our Company may not repurchase its own Shares on the Main Board 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 the Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) Connected parties

The Listing Rules prohibit our Company from knowingly repurchasing the Shares on the Main Board from a "connected person" (as defined in the Listing Rules), which includes a Director, chief executive or substantial shareholder of our Company or any of its subsidiaries or an associate of any of them and a connected person shall not knowingly sell Shares to our Company on the Main Board.

(b) Exercise of the Repurchase Mandate

On the basis of 800,000,000 Shares in issue immediately after completion of the Share Offer (assuming the Adjustment Options are not exercised), our Directors would be authorised under the Repurchase Mandate to repurchase up to 80,000,000 Shares during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid up.

(c) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and its Shareholders for our Directors to have a general authority from Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and the Shareholders.

(d) Funding of repurchases

In repurchasing the Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) General

None of our Directors or to the best of their knowledge, having made all reasonable enquiries, any of their associates (as defined in the Listing Rules) of any Director, has any present intention to sell any Shares to our Company if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles and the applicable law 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 purpose 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 the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase.

Save as disclosed above, our Directors are not aware of any consequences which may arise under the Takeovers Code as a consequence of any repurchase of Shares if made immediately after the Listing pursuant to the Repurchase Mandate. At present, so far as is known to the Directors, no Shareholder may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that our Directors exercise the power in full to repurchase the Shares 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 25.0% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules). No connected person (as defined in the Listing Rules) has notified our Company that he/she 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 OF OUR GROUP

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by 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 taken as a whole:

- (a) the agreement for the sale and purchase dated 16 March 2015 entered into between our Company, In Construction BVI, Mr. Lau, Mr. Cheng and Ms. Kwan in relation to the transfer of the entire issued share capital of In Construction;
- (b) the deed of transfer dated 20 March 2015 entered into between our Company, In Construction, Mr. Lau, Mr. Cheng and Ms. Kwan pursuant to which certain indebtedness due from In Construction to Mr. Lau, Mr. Cheng and Ms. Kwan were transferred to our Company;
- (c) the Deed of Indemnity;
- (d) the Deed of Non-competition;
- (e) the Longo Deed of Non-competition; and
- (f) the Public Offer Underwriting Agreement.

2. Intellectual property rights of our Group

(a) Trademarks

- (i) As at the Latest Practicable Date, the Group had registered the following trademarks:

Trademark	Class	Trademark Number	Date of Registration	Place of Registration	Name of Owner
In Con	37	303130785	11 September 2014	Hong Kong	In Construction
InCon	37	303130794	11 September 2014	Hong Kong	In Construction
現恆建築	37	303130776	11 September 2014	Hong Kong	In Construction
現恆	37	303130802	11 September 2014	Hong Kong	In Construction
	37	303130758	11 September 2014	Hong Kong	In Construction

- (ii) As at the Latest Practicable Date, the Group had applied for registration of the following trademark:

Trademark	Class	Trademark Application Number	Date of Application	Place of Application	Name of applicant
	37	303130767	3 September 2014	Hong Kong	In Construction

(b) Domain names

As at the Latest Practicable Date, our Group was the owner of the following domain names which are material to the business of our Group:

Registered Owner	Domain Name	Registration Date	Expiry Date
In Construction	inconstruction.hk	26 July 2014	26 July 2019
In Construction	inconstruction.com.hk	25 July 2014	28 July 2019
In Construction	incon.hk	26 July 2014	26 July 2019
In Construction	inco.hk	29 July 2014	29 July 2019

**C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS,
DIRECTORS AND EXPERTS**

1. Disclosure of Interests

(a) Interests of Directors and chief executive in shares, underlying shares and debentures of our Company and its associated corporations

So far as our Directors are aware, immediately following the completion of the Share Offer, but taking no account of any Shares which may be issued upon the exercise of the Adjustment Options, the interests and short positions of our Directors or chief executive of our Company in the Shares, underlying Shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed on the Main Board, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to our Company and the Stock Exchange, will be as follows:

(i) Long position in the Shares

Name of Director	Capacity/ Nature	Number of Shares held	Percentage of shareholding
Mr. Lau	Interest of a controlled corporation <i>(Note 1)</i>	270,000,000	33.75%
	Interest of spouse <i>(Note 2)</i>	60,000,000	7.5%
Mr. Cheng	Interest of a controlled corporation <i>(Note 3)</i>	270,000,000	33.75%
Ms. Kwan	Interest of a controlled corporation <i>(Note 4)</i>	60,000,000	7.5%
	Interest of spouse <i>(Note 5)</i>	270,000,000	33.75%

Notes:

1. These Shares were held by In Play. In Play is 100.0% owned by Mr. Lau, Mr. Lau is therefore deemed to be interested in the Shares held by In Play under the SFO.
2. Mr. Lau is the spouse of Ms. Kwan. By virtue of the SFO, Mr. Lau is deemed to be interested in the same number of Shares in which Ms. Kwan is deemed to be interested.
3. These Shares were held by Wealth Celebration. Wealth Celebration is 100.0% owned by Mr. Cheng, Mr. Cheng is therefore deemed to be interested in the Shares held by Wealth Celebration under the SFO.
4. These Shares were held by Kinetic Kingdom. Kinetic Kingdom is 100.0% owned by Ms. Kwan, Ms. Kwan is therefore deemed to be interested in the Shares held by Kinetic Kingdom under the SFO.
5. Ms. Kwan is the spouse of Mr. Lau. By virtue of the SFO, Ms. Kwan is deemed to be interested in the same number of Shares in which Mr. Lau is deemed to be interested.

(ii) Long position in the ordinary shares of associated corporations

Name of Director	Name of associated corporation	Capacity/ Nature	Number of share held	Percentage of shareholding
Mr. Lau	In Play	Beneficial owner	1	100.0%
	Kinetic Kingdom	Interest of spouse <i>(Note 1)</i>	1	100.0%
Ms. Kwan	In Play	Interest of spouse <i>(Note 2)</i>	1	100.0%
	Kinetic Kingdom	Beneficial owner	1	100.0%
Mr. Cheng	Wealth Celebration	Beneficial owner	1	100.0%

Notes:

1. Mr. Lau is the spouse of Ms. Kwan. Accordingly, Mr. Lau is deemed or taken to be interested in such share of Kinetic Kingdom in which Ms. Kwan is interested in for the purpose of the SFO.
2. Ms. Kwan is the spouse of Mr. Lau. Accordingly, Ms. Kwan is deemed or taken to be interested in such share of In Play in which Mr. Lau is interested in for the purpose of the SFO.

(b) *Interests of substantial and other Shareholders in the Shares and Underlying Shares*

So far as is known to the Directors and taking no account of any Shares which may be taken up under the Share Offer, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the Share Offer (but without taking into account of the allotment and issue of any Shares upon the exercise of the Adjustment Options), have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10.0% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of Shareholder	Capacity/ Nature	Number of Shares held	Percentage of shareholding
In Play	Beneficial owner	270,000,000	33.75%
Wealth Celebration	Beneficial owner	270,000,000	33.75%
Kinetic Kingdom	Beneficial owner	60,000,000	7.5%

2. Particulars of service agreements

Each of our executive Directors has entered into a service agreement with our Company. The service agreements are initially for a fixed term of three years commencing from the Listing Date and will continue thereafter until terminated by not less than three months written notice to the other party. Each of these executive Directors is entitled to the respective basic salary set out below. An executive Director is required to abstain from voting and is not counted in the quorum in respect of any resolution of our Directors regarding the amount of the monthly salary and the discretionary bonus payable to him/her. The current basic annual salaries of our executive Directors are as follows:

Name	Basic Annual Salary (HK\$)
Mr. Lau	1,200,000
Mr. Cheng	1,200,000
Ms. Kwan	1,080,000

Each of our independent non-executive Directors has entered into an appointment letter with us. Their appointment shall be of an initial term of three years commencing from the Listing Date subject to termination in certain circumstances as stipulated in the appointment letter. The annual remuneration payable to each of our independent non-executive Directors is HK\$150,000.

Save as disclosed above, none of the Directors has or is proposed to have any service agreement with our Company or any of its subsidiaries (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

3. Remuneration of Directors

- (a) The aggregate remuneration paid by the Group to our Directors in respect of the three years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014 were approximately HK\$994,000, HK\$1,271,000, HK\$1,374,000 and HK\$634,000, respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 March 2015 will be approximately HK\$2,023,500.

4. Agency fee and commissions received

Save as disclosed in the paragraph headed “Commissions and expenses” in the section headed “Underwriting” of this prospectus, none of our Directors or the experts named in the paragraph headed “Consents of experts” in this appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

5. Related party transactions

Details of the related party transactions are set out under Note 23 to the Accountants’ Report of our Company set out in Appendix I to this prospectus.

6. Disclaimers

Save as disclosed in this prospectus:

- (a) our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following the completion of the Share Offer (but without taking into account of any shares which may be issued upon the exercise of the Adjustment Options), have an interest or short position in the Shares or underlying Shares which will fall to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or

indirectly, interested in 10.0% or more of the nominal value or any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;

- (b) none of our Directors or chief executive of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the Main Board;
- (c) none of our Directors or the experts named in the paragraph headed “Qualifications of experts” in this appendix is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of our Directors or the experts named in the paragraph headed “Qualifications 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;
- (e) none of our Directors or the experts named in the paragraph headed “Qualifications of experts” in this appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (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 5.0% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group;
- (g) none of our Directors has any existing or proposed service contracts 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)); and

- (h) no remuneration or other benefits in kind have been paid by any member of our Group to any Director since the date of incorporation of our Company, nor are any remuneration or benefits in kind payable by any member of our Group to any Director in respect of the current financial year under any arrangement in force as at the Latest Practicable Date.

D. OTHER INFORMATION

1. Tax and other indemnities

The Controlling Shareholders (collectively, the “Indemnifiers”) have, under a deed of indemnity referred to in paragraph (c) of the sub-section headed “Summary of material contracts” in this appendix, given joint and several indemnities to our Company for itself and as trustee for its subsidiaries in connection with, among other things, (a) any taxation falling on any member of our Group (i) in respect of or by reference to any income, profits or gains earned, accrued or received or deemed or alleged to have been earned, accrued or received on or before the date on which the Share Offer becomes unconditional; or (ii) in respect of or by reference to any transaction, act, omission or event entered into or occurring or deemed to enter into or occur on or before the date on which the Share Offer becomes unconditional; and (b) any claims, actions, demands, proceedings, judgments, 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 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. The Indemnifiers will, however, not be liable under the Deed of Indemnity to the extent that, among others:

- (a) full provision, reserve or allowance has been made for such liability in the audited combined accounts of our Group for the Track Record Period; or
- (b) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Share Offer becomes unconditional; or
- (c) the taxation liability arises in the ordinary course of business of any member of our Group after 30 September 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 otherwise disclosed in the subsection headed “Business – Legal and Administrative Proceedings and Possible Claims” in this prospectus, our Directors confirmed that as at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is pending or threatened by or against any member of our Group.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Division for listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein.

The Sole Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

4. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately HK\$38,000 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

6. Qualifications of experts

The following are the respective qualifications of the experts who have given their opinion or advice which is contained in this prospectus:

Name	Qualification
Oriental Patron Asia Limited	A licensed corporation under the SFO to engage in type 1 (dealing in securities), type 6 (advising on corporate finance) and type 9 (asset management) of the regulated activities as defined under the SFO
KPMG	Certified Public Accountants
Appleby	Legal advisers to our Company as to Cayman Islands law
IPSOS Hong Kong Limited	Industry consultant
Mr. Ian Pennicott, Senior Counsel	Barrister-at-law in Hong Kong
Grant Sherman Appraisal Limited	Independent property valuer

7. Consents of experts

Each of the above-named experts has given and has not withdrawn its/his written consents to the issue of this prospectus, with the inclusion of its/his letters and/or reports and/or opinions 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 they respectively appear.

8. Sole Sponsor's fees

The Sole Sponsor will be paid by our Company a total fee of HK\$3.98 million to act as sole sponsor to our Company in the Listing.

9. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

10. Registration procedures

The principal register of members of our Company in the Cayman Islands will be maintained by Appleby Trust (Cayman) Ltd. and a branch register of members of our Company will be maintained by Tricor Investor Services Limited. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

11. No material adverse change

Save as disclosed in the paragraph headed "Summary – Recent Development" in this prospectus, our Directors confirm that there had been no material adverse change in the financial or trading position or prospects of our Company or our subsidiaries since 30 September 2014 (being the date to which the latest audited financial statements of the Group were made up) and up to the date of this prospectus.

12. 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 the 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 the Shares. It is emphasised that none of our Company, our Directors or 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.

13. Miscellaneous

Save as disclosed in this prospectus:

- (i) Within the two years immediately preceding the date of this prospectus:
 - (aa) no share or loan capital of our Company or any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (bb) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of our subsidiaries;
 - (cc) no commission has been paid or payable (except to sub-underwriter) for subscribing or agreeing to subscribe, procuring or agreeing to procure subscriptions, for any Shares or shares of any of our subsidiaries;
 - (dd) no founder, management or deferred shares or any debentures of our Company have been issued or agreed to be issued; and
 - (ee) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option.
- (ii) 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;
- (iii) none of the parties named in the paragraph headed “D. Other information – 6. Qualification of experts” in this appendix:

- (aa) is interested beneficially or non-beneficially in any securities in any member of our Group, including the Shares; or
- (bb) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group, including the Shares.
- (iv) our Company and its subsidiaries did not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans whether guaranteed or secured as at the Latest Practicable Date;
- (v) our Directors have been advised that, under Cayman Islands laws, 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 laws;
- (vi) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (vii) our Group has no outstanding convertible debt securities; and
- (viii) the English text of this prospectus shall prevail over the Chinese text.

14. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

15. Particulars of the Selling Shareholders

The Selling Shareholders are In Play, Wealth Celebration and Kinetic Kingdom, each of which is an investment holding company incorporated in the BVI on 29 September 2014. The number of Sale Shares to be offered for sale by In Play, Wealth Celebration and Kinetic Kingdom under the Placing is 18,000,000 Shares, 18,000,000 Shares and 4,000,000 Shares, respectively.

In Play, Wealth Celebration and Kinetic Kingdom will hold approximately 33.75%, 33.75% and 7.5% of the issued share capital of our Company immediately after the Share Offer, respectively, assuming the Adjustment Options are not exercised.

In Play, Wealth Celebration and Kinetic Kingdom are wholly-owned by Mr. Lau, Mr. Cheng and Ms. Kwan, respectively, each of whom is an executive Director of our Company and our Controlling Shareholder. Mr. Lau, Mr. Cheng and Ms. Kwan are therefore considered as interested in the sale of the Sale Shares.

APPENDIX VI DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION

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 copies of the written consents referred to in the paragraph headed “Consents of experts” in Appendix V to this prospectus, copies of the **WHITE** and **YELLOW** Application Forms, copies of the material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix V to this prospectus.

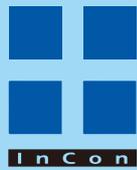
DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of CFN Lawyers, in association with Board & Bright, at 27th Floor, Neich Tower, 128 Gloucester Road, Wan Chai, 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 Accountant’s Report received from KPMG, the text of which is set out in Appendix I to this prospectus;
- (c) the report from KPMG on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (d) the letters from each of KPMG and Oriental Patron relating to the profit forecast, the text of which are set out in Appendix III to this prospectus;
- (e) the material contracts referred to in the paragraph headed “B. Further information about the business of our Group – 1. Summary of material contracts” in Appendix V to this prospectus;
- (f) the service agreements with the executive Directors and the appointment letters with the independent non-executive Directors referred to in the paragraph headed “C. Further Information about Substantial Shareholders, Directors and Experts – 2. Particulars of service agreements” in Appendix V to this prospectus;
- (g) the written consents referred to in the paragraph headed “D. Other information – 7. Consents of experts” in Appendix V to this prospectus;
- (h) the letter of advice prepared by Appleby summarising certain aspects of the Companies Law referred to in Appendix IV to this prospectus;
- (i) the letters of advice prepared by Mr. Ian Pennicott, Senior Counsel, concerning registration of the Group under the Building Ordinance and certain projects undertaken by the Group;

**APPENDIX VI DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
IN HONG KONG AND AVAILABLE FOR INSPECTION**

- (j) the valuation opinion issued by Grant Sherman Appraisal Limited in respect of the assessment of the reasonableness of rental under a lease agreement between our Group and In Holdings Limited, the details of which is set out in the section headed “Connected Transactions” in this prospectus;
- (k) the Companies Law;
- (l) the Ipsos Report; and
- (m) a list containing the particulars of the Selling Shareholders as set out in the paragraph headed “D. Other Information – 15. Particulars of the Selling Shareholders” in Appendix V to this prospectus.



IN CONSTRUCTION HOLDINGS LIMITED
現恆建築控股有限公司
(Incorporated in the Cayman Islands with limited liability)
STOCK CODE: 1500