



CHINNEY KIN WING HOLDINGS LIMITED

建業建榮控股有限公司*

(Incorporated in Bermuda with limited liability)

Stock Code: 1556

GLOBAL OFFERING



Sole Sponsor, Sole Global Coordinator and Sole Bookrunner



** for identification purpose only*

IMPORTANT

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



CHINNEY KIN WING HOLDINGS LIMITED

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(Incorporated in Bermuda with limited liability)

GLOBAL OFFERING

- Number of Offer Shares under the Global Offering** : 382,500,000 Shares (subject to the Over-allotment Option)
- Number of Hong Kong Offer Shares** : 38,250,000 Shares (subject to reallocation)
- Number of International Offer Shares** : 344,250,000 Shares (subject to reallocation and the Over-allotment Option)
- Offer Price** : Not more than HK\$0.66 per Offer Share and expected to be not less than HK\$0.50 per Offer Share, plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
- Nominal Value** : HK\$0.10 per Share
- Stock Code** : 1556

Sole Sponsor



Sole Global Coordinator and Sole Bookrunner



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

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The final Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Wednesday, 4 November 2015 and, in any event, not later than Monday, 9 November 2015. The Offer Price will be not more than HK\$0.66 and is currently expected to be not less than HK\$0.50 unless otherwise announced. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on or before Monday, 9 November 2015, the Global Offering (including the Hong Kong Public Offer) will lapse and will not proceed. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares, Reserved Shares and Employee Reserved Shares" in this prospectus.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares in the Global Offering and/or the indicative Offer Price range stated in this prospectus (which is HK\$0.50 to HK\$0.66 per Offer Share) at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, notices of the reduction in the number of Offer Shares in the Global Offering and/or the indicative Offer Price range will be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.chinneykinwing.com.hk not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offer. If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offer, then even if the number of Offer Shares in the Global Offering and/or the indicative Offer Price range is so reduced, such applications cannot be subsequently withdrawn.

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

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in the Offer Shares commences on the Stock Exchange. Such grounds are set out in the paragraph headed "Underwriting — Underwriting Arrangements and Expenses — (a) Hong Kong Underwriting Agreement — Grounds for Termination" in this prospectus. It is important that you refer to that paragraph for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. The Offer Shares are being offered and sold outside the United States in reliance on Regulation S under the U.S. Securities Act and the applicable laws of each jurisdiction where those offers and sales occur.

* for identification purpose only

30 October 2015

EXPECTED TIMETABLE

We will issue an announcement in Hong Kong to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.chinneykinwing.com.hk if there is any change in the following expected timetable of the Hong Kong Public Offer.

2015
(Note 1)

Despatch of BLUE Application Forms to Qualifying CAG Shareholders on or before	Friday, 30 October 2015
Latest time for lodging PINK Application Forms at our Company's head office at Room 2308, 23/F., Wing On Centre, 111 Connaught Road Central, Hong Kong	12:00 noon on Tuesday, 3 November 2015
Latest time to complete electronic applications under HK eIPO White Form service through the designated website at www.hkeipo.hk (Note 2)	11:30 a.m. on Wednesday, 4 November 2015
Application lists open (Note 3)	11:45 a.m. on Wednesday, 4 November 2015
Latest time to complete payment of HK eIPO White Form applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Wednesday, 4 November 2015
Latest time to give electronic application instructions to HKSCC (Note 4)	12:00 noon on Wednesday, 4 November 2015
Latest time to lodge WHITE, YELLOW and BLUE Application Forms	12:00 noon on Wednesday, 4 November 2015
Application lists close	12:00 noon on Wednesday, 4 November 2015
Expected Price Determination Date (Note 5)	Wednesday, 4 November 2015
Announcement of the final Offer Price, indication of the levels of interest in the International Offer, the basis of allotment and the results of applications in the Hong Kong Public Offer, the Preferential Offer and the Employee Preferential Offer to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), our website at www.chinneykinwing.com.hk and the website of the Stock Exchange at www.hkexnews.hk on or before	Tuesday, 10 November 2015

EXPECTED TIMETABLE

Announcement of results of allocations in the Hong Kong Public Offer, the Preferential Offer and the Employee Preferential Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including our website at www.chinneykinwing.com.hk and the website of the Stock Exchange at www.hkexnews.hk (for further details, please see the paragraph headed "How to apply for Hong Kong Offer Shares, Reserved Shares and Employee Reserved Shares — 11. Publication of Results" in this prospectus) from Tuesday, 10 November 2015

Results of allocations in the Hong Kong Public Offer, the Preferential Offer and the Employee Preferential Offer will be available at www.tricor.com.hk/ipo/result with a "search by ID" function on Tuesday, 10 November 2015

Despatch/collection of HK eIPO White Form e-Auto Refund payment instructions/refund cheques in respect of wholly or partially successful applications if the final Offer Price is less than the price payable on application (if applicable) and wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offer, the Preferential Offer and the Employee Preferential Offer on or before (*Notes 6 to 8*) Tuesday, 10 November 2015

Despatch/collection of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offer, the Preferential Offer and the Employee Preferential Offer on or before Tuesday, 10 November 2015

Dealings in the Shares on the Stock Exchange expected to commence on 9:00 a.m. on Wednesday, 11 November 2015

Notes:

1. All times and dates refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.
2. You will not be permitted to submit your application through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 4 November 2015, the application lists will not open on that day. For further details, please see the paragraph headed "How to Apply for Hong Kong Offer Shares, Reserved Shares and Employee Reserved Shares — 10. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus.

EXPECTED TIMETABLE

4. Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to “How to apply for Hong Kong Offer Shares, Reserved Shares and Employee Reserved Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS” in this prospectus.
5. The Price Determination Date is expected to be on or around Wednesday, 4 November 2015 and in any event, not later than Monday, 9 November 2015. If, for any reason, the Offer Price is not agreed on or before Monday, 9 November 2015 between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering will not proceed and will lapse accordingly.
6. Share certificates for the Hong Kong Offer Shares, the Reserved Shares and the Employee Reserved Shares are expected to be issued on or before Tuesday, 10 November 2015 but will only become valid certificates of title at 8:00 a.m. on Wednesday, 11 November 2015 provided that (a) the Global Offering has become unconditional in all respects; and (b) none of the Underwriting Agreements has been terminated in accordance with its terms.
7. Applicants for 1,000,000 Hong Kong Offer Shares, Reserved Shares or Employee Reserved Shares or more on **WHITE**, **BLUE** or **PINK** Application Forms or through the **HK eIPO White Form** service (as the case may be) who have indicated in their relevant Application Forms that they wish to collect their refund cheques (where relevant) and/or Share certificates (where relevant) personally may collect refund cheques (where relevant) and/or Share certificates (where relevant) from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited from 9:00 a.m. to 1:00 p.m. on Tuesday, 10 November 2015 or any other day as announced by us as the date of despatch of Share certificates/e-Auto Refund payment instructions/refund cheques.

Individuals who are eligible for personal collection must not authorise any other person(s) to make collection on their behalf. Corporate applicants which opt for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar. Applicants for 1,000,000 Hong Kong Offer Shares or more on **YELLOW** Application Forms may collect their refund cheques, if any, in person but may not elect to collect their Share certificates personally, which will be deposited into CCASS for the credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participants’ stock accounts, as appropriated. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who apply through the **HK eIPO White Form** service and paid their applications monies through single bank account may have refund monies (if any) despatched to their application payment bank account, in the form of e-Auto Refund payment instructions. Applicants who apply through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions to the **HK eIPO White Form** Service Provider, in the form of refund cheques, by ordinary post at their own risk.

Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant’s own risk to the address specified in the relevant Application Form. For further information, applicants should refer to the paragraph headed “How to Apply for Hong Kong Offer Shares, Reserved Shares and Employee Reserved Shares — 14. Despatch/Collection of Share Certificates and Refund Monies” in this prospectus.

8. Refund cheques/e-Auto Refund payment instructions will be despatched in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the maximum Offer Price of HK\$0.66 per Offer Share.

For details of the structure of the Global Offering, including conditions of the Global Offering, applicants should refer to the section headed “Structure of the Global Offering” in this prospectus.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offer, the Preferential Offer and the Employee Preferential Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares, the Reserved Shares and the Employee Reserved Shares offered by this prospectus pursuant to the Hong Kong Public Offer, the Preferential Offer and the Employee Preferential 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 (save for the Preferential Offer made to the Qualifying CAG Shareholders). The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions, and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We, the Sole Global Coordinator, the Sole Bookrunner, the Sole Sponsor 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 us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, any of the Underwriters, any of their respective directors, officers, representatives or advisers or any other person involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus 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.

BUSINESS OVERVIEW

Our Group was founded in 1994. We are engaged in a wide range of foundation works including (i) piling construction (such as bored piling, percussive H-piling, socketed H-piling, mini-piling and sheet piling) and other ancillary services (such as ELS works, site formation and pile cap construction); and (ii) drilling and site investigation. According to the Ipsos Report, our Group contributed about 4.6%, 5.7% and 6.3% of the market share for the year ended 31 December 2012, 2013 and 2014, respectively, and ranked the fourth in terms of revenue generated in the piling construction industry in Hong Kong throughout such period.

We are registered as specialist contractor in the categories of foundation works, ground investigation field works and site formation works with the Buildings Department and are registered on the Approved Specialist List in the categories of land piling (Group II) and ground investigation field work (Group II) maintained by WBDB. We are also approved by the Housing Authority and registered on its list of contractors in the categories of “large diameter bored piling”, “percussive piling” and “ground investigation works”. During the Track Record Period, we have completed a total of 47 piling construction contracts and 141 drilling and site investigation contracts with an aggregate contract sum exceeding HK\$3,400 million, which are all located in Hong Kong except one piling construction contract in Macau with a contract sum of approximately MOP180.3 million. As at the Latest Practicable Date, the awarded contract sum, the accumulated certified amount and the outstanding contract sum for all of our contracts on hand (including contracts in progress and contracts yet to be commenced) amounted to approximately HK\$3,240.6 million, HK\$1,383.5 million and HK\$1,857.1 million respectively. For further details on our contracts on hand as at the Latest Practicable Date, please refer to the paragraph headed “Business — Business Overview — Contracts on hand as at the Latest Practicable Date” in this prospectus.

The table below sets out a breakdown of our Group’s turnover, gross profit and gross profit margin by activity during the Track Record Period:

By activity	For the year ended 31 December									For the four months ended		
	2012			2013			2014			30 April 2015		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%	
Piling construction and other ancillary services	933,959	138,784	14.9	1,059,906	181,721	17.1	1,233,410	258,996	21.0	550,712	125,654	22.8
Drilling and site investigation	114,735	25,196	22.0	118,418	13,920	11.8	148,079	19,056	12.9	49,113	6,666	13.6
	<u>1,048,694</u>	<u>163,980</u>	15.6	<u>1,178,324</u>	<u>195,641</u>	16.6	<u>1,381,489</u>	<u>278,052</u>	20.1	<u>599,825</u>	<u>132,320</u>	22.1

Our Group recorded an increasing trend on total revenue during the Track Record Period. For each of the three years ended 31 December 2014, our revenue increased from approximately HK\$1,048.7 million to approximately HK\$1,178.3 million and further to approximately HK\$1,381.5 million, respectively, representing a CAGR of approximately 14.8%. For each of the three years ended 31 December 2014 and the four months ended 30 April 2015, our revenue generated from projects in

SUMMARY

Hong Kong amounted to approximately HK\$1,048.7 million, HK\$1,178.3 million, HK\$1,212.7 million and HK\$593.5 million respectively, while our revenue generated from projects in Macau for the same period amounted to approximately nil, nil, HK\$168.7 million and HK\$6.4 million respectively.

Our business of piling construction and other ancillary services is principally carried out by our wholly-owned subsidiaries, namely, Kin Wing Engineering, Kin Wing Foundations and Kinwing Macau while our drilling and site investigation business is carried out by our other wholly-owned subsidiaries, namely, DrilTech Ground, DrilTech Geotechnical and DrilTech Macau. Both lines of business go through similar operating procedures which can be broadly divided into: (1) tender phase; (2) planning and administration phase; (3) implementation phase; and (4) completion phase. We have developed a comprehensive operating system covering the entire project cycle and was accredited with ISO 9001 certification since 1995. For further details regarding our operating procedures, please refer to the paragraph headed “Business — Operating Procedures” in this prospectus.

Contracts as main contractor and as subcontractor

Our Group typically acts as main contractor but sometimes also acts as subcontractor depending on project nature, our assessment on profitability, project pipeline and availability of internal resources. The table below sets out a breakdown of our Group’s turnover, gross profit and gross profit margin by our role as main contractor or subcontractor during the Track Record Period:

By our Group’s role	For the year ended 31 December									For the four months ended		
	2012			2013			2014			30 April 2015		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
HK\$’000	HK\$’000	%	HK\$’000	HK\$’000	%	HK\$’000	HK\$’000	%	HK\$’000	HK\$’000	%	
Main contractor	891,928	126,902	14.2	964,042	133,557	13.9	1,069,691	215,174	20.1	528,791	117,245	22.2
Subcontractor	156,766	37,078	23.7	214,282	62,084	29.0	311,798	62,878	20.2	71,034	15,075	21.2
	<u>1,048,694</u>	<u>163,980</u>	15.6	<u>1,178,324</u>	<u>195,641</u>	16.6	<u>1,381,489</u>	<u>278,052</u>	20.1	<u>599,825</u>	<u>132,320</u>	22.1

“Design and build” contracts and “build only” contracts

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, gross profit and gross profit margin by type of contracts awarded during the Track Record Period:

By contract type	For the year ended 31 December									For the four months ended		
	2012			2013			2014			30 April 2015		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
HK\$’000	HK\$’000	%	HK\$’000	HK\$’000	%	HK\$’000	HK\$’000	%	HK\$’000	HK\$’000	%	
Design and build contracts	614,164	120,492	19.6	928,236	133,277	14.4	884,150	205,391	23.2	265,156	75,345	28.4
Build only contracts	434,530	43,488	10.0	250,088	62,364	24.9	497,339	72,661	14.6	334,669	56,975	17.0
	<u>1,048,694</u>	<u>163,980</u>	15.6	<u>1,178,324</u>	<u>195,641</u>	16.6	<u>1,381,489</u>	<u>278,052</u>	20.1	<u>599,825</u>	<u>132,320</u>	22.1

Gross profit and gross profit margin of our foundation works contracts

The revenue of our foundation works contracts is primarily represented by their respective contract sums, which are determined based on the tender prices we submit during the tendering process. Generally, we determine the tender price based on our estimated project costs plus a mark-up margin. For further details regarding our price determination, please refer to the paragraph headed “Business — Operating Procedures — 1. Tender phase — Preparation and submission of tender documents — Project quote determination” in this prospectus. As a result, the gross profit and gross

SUMMARY

profit margin of our projects would be dependent on whether we can complete the projects within our budgeted costs. However, the actual project costs may be different from our estimated costs because of a number of factors including but not limited to the scope and complexity of the projects, site conditions, project time frame, estimated construction materials costs and labour cost. Some of these factors are beyond the control of our Group. We may also be subject to liquidated damages due to delay in completing the project if extension of time is not granted by our customers. As such, if the actual costs for a particular project exceed our budget or if there is any unforeseen factor leading to delay in completing the project and provision for liquidated damages has to be made, we may be subject to cost overruns, and will in turn result in lower profit margin or even a loss for that project. On the contrary, if we can effectively control our project costs within the budget or our customers eventually allow for extension of time for any project in respect of which provision for liquidated damages has been made due to our delay, our gross profit and gross profit margin would be higher.

Because of the reasons above, the gross profit and gross profit margin of our Group are, to certain extent, dependent on the actual circumstances in the course of implementation of each individual project, and therefore would fluctuate year by year regardless of business activity, role, or contract type. Please refer to the paragraph headed “Financial Information — Principal Components of Results of Operations — Our different types of foundation works contracts” in this prospectus for further details. As further detailed in the paragraph headed “Financial Information — Principal Components of Results of Operations — Administrative expenses”, the depreciation charges of our machinery for piling construction and ancillary works were classified as administrative expenses consistently during the Track Record Period and thus the depreciation charges do not have an impact on our cost of sales and gross profit.

CUSTOMERS

Our customers in private sector include property developers, construction companies, Urban Renewal Authority, charity organisations as well as their respective main contractors. Our customers in public sector include different departments of the Hong Kong Government, and related organisations and institutional bodies such as the Housing Authority, the Housing Society, CEDD, Highways Department and Architectural Services Department.

The table below sets out the revenue contribution, gross profit and gross profit margin from our respective customer segments during the Track Record Period:

By customer segment	For the year ended 31 December									For the four months ended		
	2012			2013			2014			30 April 2015		
	Revenue	Gross profit/(loss)	Gross profit/(loss) margin	Revenue	Gross profit/(loss)	Gross profit/(loss) margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%	
Private sector ^(Note)	858,397	184,180	21.5	1,133,598	208,614	18.4	1,278,919	259,848	20.3	429,305	111,128	25.9
Public sector	190,297	(20,200)	(10.6)	44,726	(12,973)	(29.0)	102,570	18,204	17.7	170,520	21,192	12.4
	<u>1,048,694</u>	<u>163,980</u>	15.6	<u>1,178,324</u>	<u>195,641</u>	16.6	<u>1,381,489</u>	<u>278,052</u>	20.1	<u>599,825</u>	<u>132,320</u>	22.1

Note: Amongst the revenue contributed from private sector customers for each of the three years ended 31 December 2014 and the four months ended 30 April 2015, so far as is known to our Directors, approximately 12.3%, 15.0%, 9.2% and 7.6% respectively were related to government's projects or infrastructure projects in which we acted as subcontractor.

In 2013, there was a drop in revenue contribution from public sector customers as we had been engaged in a sizeable project from the Housing Authority from April 2011 to November 2012 and did not obtain other new contracts of comparable size from public sector customers until 2014 due to limitation of our resources and capacity. In September 2014, we obtained another sizeable piling construction contract from the Housing Authority with a contract sum of approximately HK\$379.9 million, which resulted in an increase in revenue contribution from public sector customers for the four months ended 30 April 2015. Although it is our strategy to capture the growing business

SUMMARY

opportunities in the public sector, we recognise the importance of, and will continue to maintain a well-diversified customer base so that we are not over-reliant on the dynamics of a single market segment. For further details regarding the difference between public and private sector projects, please refer to the paragraph headed “Business — Business Overview” in this prospectus.

Generally, the gross profit margin contributed by contracts from private sector customers is higher than that from public sector customers as a majority of the contracts from private sector customers were “design and build” contracts which generally offer higher profit margin, as further detailed in the paragraph headed “Business — Business Strategies — Improve our margins and profitability” in this prospectus. Further details of explanation on fluctuation of gross profit margin from private and public sectors customers are set out in the paragraph headed “Financial Information — Principal Components of Results of Operations — Our different types of foundation works contracts” in this prospectus.

For each of the three years ended 31 December 2014 and the four months ended 30 April 2015, our five largest customers by affiliated group accounted for approximately 61.1%, 67.0%, 60.8% and 68.9% of our revenue, respectively, and our largest customer by affiliated group accounted for approximately 23.4%, 30.8%, 18.0% and 24.5% respectively of our revenue.

Tender success rate

During the Track Record Period and up to the Latest Practicable Date, all of our revenue was derived from foundation projects in Hong Kong and Macau which were awarded to us on successful tenders. In addition, our business is contract-based and on a non-recurring basis.

The table below sets out the number of tenders submitted and awarded to our Group during the Track Record Period by activity:

	For the year ended 31 December			For the four months ended
	2012	2013	2014	30 April 2015
Piling construction and ancillary services				
Number of tenders submitted	165	152	132	29
Number of successful tenders	15	17	14	2
Success rate (%)	9.1	11.2	10.6	6.9
Contract sum of tenders submitted (HK\$ million)	19,733	17,056	18,333	6,766
Contract sum of successful tenders (HK\$ million)	1,358	1,678	1,338	476
Drilling and site investigation				
Number of tenders submitted	665	610	423	149
Number of successful tenders	44	31	15	2
Success rate (%)	6.6	5.1	3.5	1.3

Note: For drilling and site investigation, there were cases where the tender proposals and the relevant contracts awarded only required/contained the quotation of the unit rate for the works (such as the dollar amount for each drillhole) and would not specify the quantity of works to be done. As such, the aggregate contract sum of tenders submitted and awarded for this line of business segment is not available in the tender documents.

For further details on the tender success rate, please refer to the paragraph headed “Business — Operating Procedures” in this prospectus.

SUMMARY

SUPPLIERS AND SUBCONTRACTORS

Suppliers

For projects which we are engaged as main contractor, unless otherwise specified by our customers, we select our suppliers from our approved list of suppliers and procure construction materials required for carrying out of our works as well as that of our subcontractors. For other projects which we act as subcontractor, we procure construction materials through the project owners or the main contractors or their specified suppliers, as the case may be, in accordance with the subcontracting contracts. If there is no such requirement set out in the relevant contracts, we source the construction materials from our approved list of suppliers. As at the Latest Practicable Date, there were approximately 385 suppliers on our list of approved suppliers, which is reviewed and updated periodically.

Construction materials costs incurred for our largest supplier (excluding our subcontractors) accounted for approximately 19.2%, 12.9%, 9.7% and 13.8% respectively of our total construction materials costs for each of the three years ended 31 December 2014 and the four months ended 30 April 2015, and construction materials costs incurred for our five largest suppliers (excluding our subcontractors) for each of the three years ended 31 December 2014 and the four months ended 30 April 2015 accounted for approximately 55.4%, 49.0%, 36.2% and 44.9% respectively of our total construction materials costs for each of the respective financial periods.

Subcontracting

We usually subcontract works or procedures which we consider less crucial in the production process, or which are not commonly included in our usual contracts awarded to other external parties. As at the Latest Practicable Date, we had about 336 subcontractors on our approved list of subcontractors. Subcontracting charges attributable to our largest subcontractor for each of the three years ended 31 December 2014 and the four months ended 30 April 2015 accounted for approximately 39.5%, 32.0%, 19.4% and 25.9% of our total subcontracting charges respectively, while our five largest subcontractors for each of the three years ended 31 December 2014 and the four months ended 30 April 2015 accounted for approximately 68.7%, 63.9%, 41.8% and 49.3% respectively of our total subcontracting charges.

For further details, please refer to the paragraph headed “Business — Suppliers and Subcontractors” in this prospectus.

COMPETITIVE STRENGTHS

Our Directors believe that our Group possesses the following competitive strengths which are described in greater details in the paragraph headed “Business — Competitive Strengths” in this prospectus:

- Established history and renowned reputation in the industry
- Diversified customer base and strong relationships with customers
- Wide range of foundation piling services delivered by technically-capable teams
- Direct control over our broad range of piling machinery and equipment
- Experienced and visionary management team
- Relentless focus on pleasant working environment, staff safety and training

BUSINESS STRATEGIES

Our principal business objective is to achieve sustainable growth in our current business and to strengthen our capability to capture more business opportunities by executing the following strategies:

- Continue to expand our scope of services

SUMMARY

- Compete for sizeable foundation projects
- Improve our margins and profitability
- Capture the growing foundation works from public sector
- Pursue strategic geographical expansion and acquisitions

For more details on our business strategies, please refer to the paragraph headed “Business — Business Strategies” in this prospectus.

CONTROLLING SHAREHOLDERS

Assuming that all Qualifying CAG Shareholders (except Enhancement Investments, Multi-Investment and Chinney Capital) take up their respective Preferential Entitlements under the Preferential Offer in full, and taking no account of any Offer Shares which may be taken up under the Global Offering and any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, CAG will be interested in approximately 74.5% of our total issued share capital immediately after the completion of the Capitalisation Issue and the Global Offering. As at the Latest Practicable Date, Mr. Wong, through Enhancement Investments, Multi-Investment and Chinney Capital, was interested in approximately 73.28% of the issued shares in CAG, of which 40.89%, 29.10% and 3.29% were directly held by Enhancement Investments, Multi-Investment and Chinney Capital, respectively. Accordingly, CAG and Mr. Wong are our Controlling Shareholders under the Listing Rules.

After Listing, CAG, Mr. Wong and its/his associates are interested in certain exempt continuing connected transactions, including (i) provision of administrative services; (ii) purchase of consumables and parts of machinery; and (iii) leasing of office space. In addition, our Group has entered into a one-off transaction with the Remaining Group which involves a sub-contract arrangement for piling system and bored piles. For further details regarding our connected transactions, please refer to the section headed “Connected Transactions” in this prospectus.

THE SPIN-OFF

The Listing will constitute a spin-off of the Foundation Business of CAG. The Board believes that the Spin-off creates a more defined business focus for our Group and allows the respective management of CAG and our Group to efficiently allocate their resources to their respective businesses. For further information regarding the reasons for the Spin-off, please see the paragraph headed “History and Corporate Structure — The Spin-off” in this prospectus.

Our Directors expect that, immediately following the Spin-off, our Group will principally be engaged in the Foundation Business whereas the Remaining Group will focus on the Retained Business. The business and/or scope of services provided by our Group and the Remaining Group differ significantly. For further details, please refer to the paragraph headed “Relationship with Controlling Shareholders — Independence from our Controlling Shareholders — Clear business delineation between the business of our Group and the Remaining Group” in this prospectus. Members of the Remaining Group do not, and it is expected that they will not, engage in any business activities that compete or will compete with those of our Group. To address potential conflicts of interests between the Remaining Group and our Group, CAG, and Mr. Wong have entered into the Deed of Non-competition in favour of our Company (for ourselves and for the benefits of our subsidiaries), the details of which are set out in the paragraph headed “Relationship with Controlling Shareholders — Independence from our Controlling Shareholders — Non-competition undertaking” in this prospectus.

In accordance with the requirements of Practice Note 15 of the Listing Rules, CAG will give due regard to the interests of its shareholders by providing Qualifying CAG Shareholders with an assured entitlement to the Shares by way of the Preferential Offer. Details of the Preferential Offer are described in the section headed “Structure of the Global Offering” in this prospectus.

SUMMARY

SUMMARY OF FINANCIAL AND OPERATING INFORMATION

Selected information extracted from combined statements of profit or loss and other comprehensive income

	Year ended 31 December			Four months ended 30 April	
	2012	2013	2014	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(unaudited)</i>	<i>HK\$'000</i>
REVENUE	1,048,694	1,178,324	1,381,489	481,516	599,825
Cost of sales	(884,714)	(982,683)	(1,103,437)	(406,624)	(467,505)
Gross profit	163,980	195,641	278,052	74,892	132,320
Other income and gains	3,259	6,268	4,081	401	119
Administrative expenses	(123,571)	(134,764)	(166,530)	(47,473)	(62,923)
Finance costs	(1,219)	(598)	(75)	(14)	—
Profit before tax	42,449	66,547	115,528	27,806	69,516
Income tax expense	(9,063)	(7,726)	(16,938)	(4,783)	(11,439)
Profit and total comprehensive income for the year/period	<u>33,386</u>	<u>58,821</u>	<u>98,590</u>	<u>23,023</u>	<u>58,077</u>

Our Group recorded an increasing trend on the total revenue during the Track Record Period. For each of the three years ended 31 December 2014, our revenue increased from approximately HK\$1,048.7 million to approximately HK\$1,178.3 million and further to approximately HK\$1,381.5 million, respectively, representing a CAGR of approximately 14.8%. For each of the four months ended 30 April 2014 and 2015 respectively, our revenue increased by approximately 24.6% from approximately HK\$481.5 million to approximately HK\$599.8 million. The surge in revenue was mainly attributable to increase in number of projects with larger contract sum being carried out by our Group. Construction contract income is recognised based on the stage of completion. The stage of completion is established by reference to the construction works certified by our customers.

Revenue contribution from each business segment of our Group remained stable year-on-year during the Track Record Period, which was in line with the type of construction works being awarded to our Group during the respective periods.

Selected information extracted from combined statements of financial position

	As at 31 December			As at 30 April
	2012	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	170,567	231,915	271,538	309,445
Current assets	368,774	515,364	607,847	726,248
Current liabilities	321,047	494,141	622,110	718,780
Net current assets/(liabilities)	47,727	21,223	(14,263)	7,468
Non-current liabilities	30,683	27,706	33,753	35,314
Net assets	187,611	225,432	223,522	281,599

As at 31 December 2014, we recorded net current liabilities of approximately HK\$14.3 million compared with net current assets of approximately HK\$21.2 million as at 31 December 2013, which was primarily attributable to the dividend payment of approximately HK\$100.5 million and capital expenditure of approximately HK\$75.7 million, and partially offset by the profit for the year ended 31 December 2014 (before deducting the depreciation charge of approximately HK\$35.3 million) of approximately HK\$133.9 million. Prior to Listing, our Group declared special dividends of approximately HK\$232.0 million to the Remaining Group of which HK\$210.0 million will be settled by internal resources of our Group before Listing. The declaration of such special dividends will lead to a net current liability position based on the net current assets of approximately HK\$44.0 million as at 31 August 2015. For further details, please refer to the sections headed "Risk Factors —

SUMMARY

We recorded net current liabilities as at 31 December 2014 and are expected to record net current liabilities as a result of the declaration of special dividends”, “Financial Information — Net current assets/(liabilities)” and “Financial Information — Dividends” in this prospectus.

Selected information extracted from combined statements of cash flows

	Year ended 31 December			Four months ended 30 April	
	2012	2013	2014	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(unaudited)</i>	<i>HK\$'000</i>
Cash and cash equivalents at the beginning of the year/period	33,152	63,865	136,648	136,648	155,254
Net cash flows generated from operating activities	133,398	197,331	198,825	78,575	108,650
Net cash flows used in investing activities	(58,929)	(79,372)	(77,244)	(18,277)	(54,052)
Net cash flows used in financing activities	(43,756)	(45,176)	(102,975)	(614)	—
Net increase in cash and cash equivalents	30,713	72,783	18,606	59,684	54,598
Cash and cash equivalents at the end of the year/period	<u>63,865</u>	<u>136,648</u>	<u>155,254</u>	<u>196,332</u>	<u>209,852</u>

KEY FINANCIAL RATIOS

	As at/for the year ended 31 December			As at/for the four months ended 30 April
	2012	2013	2014	2015
Current ratio	1.1	1.0	1.0	1.0
Gearing ratio	13.8%	1.1%	0.0%	0.0%
Debt to equity ratio	Net cash	Net cash	Net cash	Net cash
Interest coverage	35.8	112.3	1,541.4	N/A
Return on assets	6.2%	7.9%	11.2%	16.8%
Return on equity	17.8%	26.1%	44.1%	61.9%
Gross profit margin	15.6%	16.6%	20.1%	22.1%
Net profit margin	3.2%	5.0%	7.1%	9.7%

For further details, please refer to the paragraph headed “Financial Information — Key Financial Ratios” in this prospectus.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Our Group has continued to develop its businesses of piling construction and other ancillary services as well as drilling and site investigation after the Track Record Period. We continue to execute our projects on hand as disclosed in the paragraph headed “Business — Business Overview — Contracts on hand as at the Latest Practicable Date” in this prospectus. In particular, subsequent to 30 April 2015 and up to the Latest Practicable Date, we have further completed three piling construction and other ancillary services contracts and three drilling and site investigation contracts. Total contract sum of such contracts amounted to approximately HK\$419.5 million while their aggregate accumulated amount certified as at the Latest Practicable Date amounted to approximately HK\$414.4 million. Also, our Group has entered into five new contracts relating to piling construction works in Hong Kong and two new contracts relating to drilling and site investigation works in Hong Kong with an aggregate contract sum of approximately HK\$876.7 million during such period.

SUMMARY

As at the Latest Practicable Date, the awarded contract sum for all of our contracts on hand (including contracts in progress and contracts yet to be commenced) amounted to approximately HK\$3,240.6 million.

Based on our Group's unaudited management accounts for the eight months ended 31 August 2015, which has been reviewed by our reporting accountants in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, we recorded a revenue of approximately HK\$1,169.1 million and a gross profit of approximately HK\$248.0 million. The gross profit margin was approximately 21.2% for such period.

In March 2011, Kin Wing Foundations was involved in an incident in which a public utility company in Hong Kong filed a claim for negligence and breach of statutory duties relating to the damage of an electricity cable due to the excavation works carried out by Kin Wing Foundations. For details of the incident, please refer to the section headed "Business — Litigation and Potential Claims" in this prospectus. Trial of the case took place on 3 November 2014 and judgment was handed down by the High Court of the HKSAR on 20 August 2015. According to the judgment, the public utility company failed in its claim against us in both negligence and breach of statutory duties and its claim was dismissed. We have made a provision of HK\$12 million for this case during the Track Record Period. As far as known to our Directors after having made all reasonable enquiries as at the Latest Practicable Date, the public utility company has not filed, and we have not received notice of, any application to appeal against the judgment within the requisite time limit allowed. As a result, it is expected that the provision of HK\$12 million relating to the incident mentioned above will be released for the year ending 31 December 2015, subject to any new development of the case at the time when the financial statements are being finalised.

Despite the recent volatility in the global financial markets, our Directors consider that the foundation industry in Hong Kong is able to remain stable since the government's efforts in increasing supply of public housing is considered as a long term policy and there is a solid demand for residential properties in Hong Kong. Both of these factors are expected to provide growth opportunities to the foundation industry in Hong Kong.

For the purpose of our business expansion, subsequent to 30 April 2015 and up to the Latest Practicable Date, we acquired one crawler crane, one hammer grab, eight air compressors, two down-the-hole hammers, six grouting pumps and other accessory tools amounting to approximately HK\$26.0 million. The amount of depreciation expenses for these newly acquired machinery is estimated to be approximately HK\$1.3 million and HK\$2.6 million for the years ending 31 December 2015 and 2016 respectively. We financed such capital expenditure through our Group's internal resources.

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 April 2015 up to the date of this prospectus, and that there has been no event since 30 April 2015 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 August 2015.

As far as our Directors are aware, there was no material change in the general conditions in the foundation industry or in the markets that our Group operates since 30 April 2015 which has affected or would affect our Group's business operations or financial conditions materially and adversely.

FUTURE PLANS AND PROPOSED USE OF PROCEEDS

We estimate that the aggregate net proceeds to be received by us from the Global Offering (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering, and assuming an Offer Price of HK\$0.58 per Offer Share, being the mid-point of the indicative Offer Price range) will be approximately HK\$185.8 million, assuming that Over-allotment Option is not exercised. We currently intend to apply such net proceeds in the following manner:

SUMMARY

- approximately HK\$111.5 million or approximately 60.0% of the net proceeds for the acquisition of additional machinery and related storage and maintenance expenditures to expand our capacity and enhance our project implementation capability;
- approximately HK\$37.2 million or approximately 20.0% of the net proceeds for the investment in human resources to increase our productivity and capabilities;
- approximately HK\$18.6 million or approximately 10.0% of the net proceeds for enhancement of our design capability and streamline the project implementation progress and also including expenditures in modifications of our existing plant and machinery to increase efficiency; and
- approximately HK\$18.6 million or approximately 10.0% of the net proceeds will be used as general working capital of our Group.

For further details on our future plans and use of proceeds, please refer to the section headed “Future Plans and Proposed Use of Proceeds” in this prospectus.

OFFER STATISTICS

	Based on the minimum indicative Offer Price of HK\$0.50 per Offer Share	Based on the maximum indicative Offer Price of HK\$0.66 per Offer Share
Market capitalisation at Listing (<i>Note 1</i>)	HK\$750.0 million	HK\$990.0 million
Unaudited pro forma adjusted net tangible assets per Share (<i>Note 2</i>)	HK\$0.294	HK\$0.333

Notes:

1. The calculation of the market capitalisation of our Shares is based on 1,500,000,000 Shares in issue immediately after completion of the Global Offering but does not take into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option 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.
3. The unaudited pro forma adjusted combined net tangible assets of the Group has not been adjusted to give effect to the dividend distribution amounting to approximately HK\$232.0 million in October 2015. The dividend distribution would result in a decrease of approximately HK\$232.0 million in the Group’s net tangible asset value attributable to shareholders of the Group before Listing. Had the dividend been taken into account by adjusting approximately HK\$232.0 million to the Group’s unaudited pro forma adjusted combined net tangible assets attributable to shareholders of the Group and based on 1,500,000,000 Shares as mentioned in Note 1 above, the unaudited pro forma adjusted combined net tangible assets attributable to shareholders of the Group per Share would be approximately HK\$0.140 (assuming an Offer Price of HK\$0.50 per Share) and approximately HK\$0.179 (assuming an Offer Price of HK\$0.66 per Share), respectively.

DIVIDENDS

No dividend has been paid or declared by our Company since its incorporation up to and including the Latest Practicable Date.

Notwithstanding the above, non-recurring dividend of approximately HK\$29.5 million, HK\$21.0 million, HK\$100.5 million and nil were declared and paid from the internal resources by the companies now comprising our Group to the then shareholders for the three years ended 31 December 2014 and the four months ended 30 April 2015 respectively.

Prior to Listing, our Group declared special dividends of approximately HK\$232.0 million to the Remaining Group, of which approximately HK\$22.0 million was set off against the amount due from the Remaining Group and HK\$210.0 million will be settled by internal resources of our Group before Listing. Further details on the special dividend to set off against the amount due from the Remaining Group are set out in the paragraph headed “History and Corporate Structure — Our Reorganisation”.

SUMMARY

DIVIDEND POLICY

After completion of the Global Offering, our Directors may at their discretion declare dividends to our Shareholders. It is currently expected that no dividend will be declared for the financial year ending 31 December 2015 but we intend to recommend dividends of not less than 50% of our profit and total comprehensive income attributable to the equity holders of our Group for the financial year ending 31 December 2016. Subsequent to the year ending 31 December 2016, we do not have any pre-determined dividend distribution ratio and the recommendation of the payment of dividend will be considered by our Directors after taking into account our operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements and other factors as it may deem relevant at such time.

Any declaration and payment as well as the amount of the dividend will be subject to our constitutional documents and the Companies Act, including the approval of our Shareholders. Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

LITIGATION AND POTENTIAL CLAIMS

As at the Latest Practicable Date, we were a party to certain claims and litigations in respect of, among others, (i) eight outstanding employees' compensation claims and personal injuries claims; and (ii) two criminal litigations relating to industrial safety, which arose in our Group's ordinary and usual course of business. For further details, please refer to the paragraph headed "Business — Litigation and Potential Claims" in this prospectus.

RISK FACTORS

There are a number of risks involved in our operations and in connection with the Global Offering. These risks can be categorised into (i) risks relating to our foundation business; (ii) risks relating to our industry; and (iii) risks relating to the Shares and the Global Offering. We believe that our major risks include:

- We need to maintain qualifications and registrations for the operation of our business
- Our revenue relies on successful tenders of foundation projects which are not recurrent in nature, and there is no guarantee that our customers will provide us with new business or that we will secure new customers
- We make estimation of our project costs in our tenders and any failure to accurately estimate the costs involved and/or delay in completion of any project may lead to cost overruns or even result in losses
- Shortage of labour may affect our projects and our performance
- Increases in construction material costs and substandard construction materials may have an adverse impact on our financial results
- Our performance depends on market conditions and trends in the foundation industry and the general economic and political conditions in Hong Kong

A detailed discussion of the risk factors is set forth in the section headed "Risk Factors" in this prospectus. Prospective investors should read the "Risk Factors" section in its entirety before making any investment decision in the Offer Shares.

LISTING EXPENSES

The total amount of listing expenses, commissions and the maximum incentive fee (if any), together with SFC transaction levy and Hong Kong Stock Exchange trading fee that will be borne by us in connection with the Global Offering is estimated to be approximately HK\$36.1 million (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised), of which approximately HK\$3.5 million was charged to our profit or loss during the Track Record Period. The remaining listing expenses in the amount of approximately HK\$17.9 million is expected to be charged to our profit or loss for the year ending 31 December 2015, and approximately HK\$14.8 million is expected to be capitalised upon Listing.

DEFINITIONS

In this prospectus, the following expressions shall have the meanings set out below unless the context requires otherwise.

“Application Form(s)”	WHITE, YELLOW, GREEN, BLUE and PINK application form(s), or where the context so requires, any one of them, to be used in relation to the Hong Kong Public Offer, the Preferential Offer or the Employee Preferential Offer
“Asian Secretaries”	Asian Secretaries Limited, a company incorporated in Hong Kong with limited liability on 25 June 1992, which is an indirect wholly-owned subsidiary of CAG
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Baker Tilly”	Baker Tilly Hong Kong Risk Assurance Limited, internal control consultant to our Company which is an Independent Third Party
“Beneficial CAG Shareholder(s)”	any beneficial owner(s) of CAG Share(s) whose CAG Share(s) is/are registered, as shown in the register of members of CAG, in the name of a registered CAG Shareholder at 4:30 p.m. on the Record Date
“ BLUE Application Form(s)”	the application form(s) to be sent to the Qualifying CAG Shareholders to subscribe for the Reserved Shares pursuant to the Preferential Offer
“Board” or “Board of Directors”	the board of Directors
“Building Authority”	the Building Authority of the Hong Kong Government
“Buildings Department”	the Buildings Department of the Hong Kong 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” or “business day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“Bye-laws”	the bye-laws of our Company conditionally adopted on 20 October 2015 to take effect on the Listing Date, as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix III to this prospectus

DEFINITIONS

“CAG”	Chinney Alliance Group Limited, a company incorporated in Bermuda on 16 April 1993 with limited liability, whose shares are listed on the Main Board (Stock Code: 0385) and a Controlling Shareholder
“CAG Group”	CAG and its subsidiaries before the Spin-off, which includes our Group
“CAG Shareholder(s)”	holder(s) of CAG Share(s)
“CAG Share(s)”	ordinary share(s) of par value of HK\$0.10 each in the share capital of CAG
“CAGR”	compound annual growth rate, a method of assessing the average growth of a value over time
“Capitalisation Issue”	the capitalisation of an amount of HK\$111,749,000 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 1,117,490,000 Shares for allotment and issue to the Shareholders as resolved by the sole Shareholder on 20 October 2015
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant(s)”	person(s) admitted to participate in CCASS as direct clearing participant(s) or general clearing participant(s)
“CCASS Custodian Participant(s)”	person(s) admitted to participate in CCASS as custodian participant(s)
“CCASS Investor Participant(s)”	person(s) admitted to participate in CCASS as investor participant(s) who may be individual(s) or joint individual(s) or corporation(s)
“CCASS Participant(s)”	CCASS Clearing Participant(s), CCASS Custodian Participant(s) or CCASS Investor Participant(s)
“CEDD”	the Civil Engineering and Development Department of the Hong Kong Government
“Cheung Kong Property”	Cheung Kong Property Holdings Limited, a company whose shares are listed on the Main Board (Stock Code: 1113) and one of our top five customers by affiliated group throughout the Track Record Period
“China” or “PRC”	the People’s Republic of China which, for the purposes of this prospectus only, excludes Hong Kong, Macau and Taiwan

DEFINITIONS

“Chinney Alliance”	Chinney Alliance Trading (BVI) Limited, a company incorporated in the BVI with limited liability on 11 May 1993, which is a direct wholly-owned subsidiary of CAG
“Chinney Capital”	Chinney Capital Limited, a company incorporated in Hong Kong with limited liability on 15 December 1978, which is interested in approximately 3.29% of the issued shares in CAG as at the Latest Practicable Date and is indirectly wholly-owned by Mr. Wong
“Chinney Construction”	Chinney Construction Group Limited, a company incorporated in the BVI with limited liability on 9 August 2007, which is an indirect wholly-owned subsidiary of CAG
“Chinney Investments”	Chinney Investments, Limited, a company incorporated in Hong Kong on 23 June 1959 with limited liability, whose shares are listed on the Main Board (Stock Code: 0216) and a connected person of our Company
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies Act”	the Companies Act 1981 of Bermuda, 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” and “our Company”	Chinney Kin Wing Holdings Limited, an exempted company with limited liability incorporated in Bermuda on 29 May 2015
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	CAG and Mr. Wong, or any one of them

DEFINITIONS

“Deed of Indemnity”	the deed of indemnity dated 20 October 2015 entered into between CAG and our Company (for ourselves and as trustee for each of our subsidiaries), pursuant to which CAG has given certain tax and other indemnities in favour of our Company (on our own behalf and as trustee for each of our subsidiaries), further particulars of which are set out in the paragraph headed “Statutory and General Information — D. Other Information — 1. Indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 20 October 2015 entered into between our Controlling Shareholders and our Company pursuant to which our Controlling Shareholders agreed not to, among other things, carry on, engage, participate or hold any right or interest in or be involved in any foundation business which is in competition with our Group’s foundation business, further particulars of which are set out in the paragraph headed “Relationship with Controlling Shareholders — Independence from our Controlling Shareholders — Non-competition undertaking” in this prospectus
“Development Bureau”	the Development Bureau of the Hong Kong Government
“Director(s)”	the director(s) of our Company
“DrilTech Geotechnical”	DrilTech Geotechnical Engineering Limited (鑽達土力工程有限公司) (formerly known as Good Win Resources Limited), a company incorporated in Hong Kong with limited liability on 13 February 1998, and an indirect wholly-owned subsidiary of our Company
“DrilTech Ground”	DrilTech Ground Engineering Limited (鑽達地質工程有限公司), a company incorporated in Hong Kong with limited liability on 12 November 1996, and an indirect wholly-owned subsidiary of our Company
“DrilTech Macau”	DrilTech Ground Engineering (Macau) Limited (鑽達地質工程(澳門)有限公司), a private limited liability company by quotas incorporated in Macau on 1 June 2005, and an indirect wholly-owned subsidiary of our Company
“DSSOPT”	the Land, Public Works and Transport Bureau of Macau (in Portuguese, the “Direcção dos Serviços de Solos, Obras Públicas e Transportes”, and, in Chinese, the “澳門特別行政區土地工務運輸局”)

DEFINITIONS

“DT Loan”	has the meaning ascribed to it in the paragraph headed “History and Corporate Structure — Our Reorganisation” in this prospectus
“Eligible Employee(s)”	full-time employee(s) of either (i) our Group (including full-time secondees to our Group) or (ii) the Remaining Group and who: (a) is/are at least 18 years of age; (b) has/have Hong Kong address and is/are holder of Hong Kong Identity Card; (c) remain(s) as full-time employee of either our Group (including a full-time secondee to our Group (if applicable)) or the Remaining Group, and is/are not on probation, as at 20 October 2015; (d) has/have not tendered his/her/their resignation or been given notice of termination of employment for any reason other than redundancy or retirement on or before 20 October 2015; and (e) is/are neither, nor associate of, existing beneficial owner(s) of the Share(s) or of share(s) of any of the subsidiaries of our Company, excluding directors of our Company or any of our subsidiaries
“Employee Preferential Offer”	the preferential offer of the Employee Reserved Share(s) to the Eligible Employee(s) for subscription at the Offer Price on a preferential basis as to allocation only, as further described in the paragraph headed “Structure of the Global Offering — The Employee Preferential Offer” in this prospectus
“Employee Reserved Share(s)”	the Offer Share(s) (representing 10.0% and 1.0% of the total number of Offer Shares initially being offered under the Hong Kong Public Offer and Global Offering (assuming that the Over-allotment Option is not exercised), respectively) being offered pursuant to the Employee Preferential Offer and which are to be allocated out of the Hong Kong Offer Shares
“Employees’ Compensation Ordinance”	the Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Employment Ordinance”	the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Enhancement Investments”	Enhancement Investments Limited, a company incorporated in the BVI with limited liability on 10 July 2006, which is interested in approximately 40.89% of the issued shares in CAG as at the Latest Practicable Date and is directly wholly-owned by Mr. Wong

DEFINITIONS

“Existing CAG Public Shareholder(s)”	the public shareholder(s) of CAG 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
“Foundation Business”	foundation business engaged by our Group which includes piling construction and other ancillary services and drilling and site investigation
“GDP”	gross domestic product
“Global Offering”	the Hong Kong Public Offer and the International Offer
“Government” or “Hong Kong Government”	the government of Hong Kong
“GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider
“Group”, “our Group”, “we” or “us”	our Company and its subsidiaries or any of them, or where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“Haitong” or “Sole Sponsor”	Haitong International Capital Limited, acting as the sole sponsor of the Global Offering, a licensed corporation to conduct Type 6 (advising on corporate finance) of the regulated activities for the purpose of the SFO
“Haitong Securities” or “Sole Global Coordinator” or “Sole Bookrunner” or “Stabilising Manager”	Haitong International Securities Company Limited, a licensed corporation to conduct Type 1 (dealing in securities), Type 3 (leveraged foreign exchange trading) and Type 4 (advising on securities) regulated activities for the purpose of the SFO, being the sole global coordinator, the sole bookrunner and the stabilising manager of the Global Offering
“HIBOR”	the rate of interest offered on Hong Kong dollar loans by banks in the interbank market for a specified period ranging from overnight to one year
“HK eIPO White Form”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website at www.hkeipo.hk

DEFINITIONS

“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website at www.hkeipo.hk
“Hon Kwok”	Hon Kwok Land Investment Company, Limited, a company incorporated in Hong Kong on 20 September 1965 with limited liability, whose shares are listed on the Main Board (Stock Code: 0160) and a connected person of our Company
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HKSAR” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, our Hong Kong branch share registrar and transfer office
“Hong Kong dollars”, “HK\$” or “cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“Hong Kong Legal Counsel”	Mr. Chan Chung, barrister-at-law of Hong Kong and legal adviser to our Company as to certain aspects of Hong Kong law relating to the operations of our Company and our subsidiaries
“Hong Kong Offer Shares”	the 38,250,000 new Shares (subject to reallocation) initially being offered at the Offer Price by our Company for subscription in the Hong Kong Public Offer as described in the section headed “Structure of the Global Offering” in this prospectus
“Hong Kong Public Offer”	the issue and offer of the Hong Kong Offer Shares for subscription in Hong Kong at the Offer Price (plus brokerage fee of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.0027%) on and subject to the terms and conditions described in this prospectus and the Application Forms
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offer listed in the paragraph headed “Underwriting — Hong Kong Underwriters” in this prospectus

DEFINITIONS

“Hong Kong Underwriting Agreement”	the conditional Hong Kong Underwriting Agreement dated 29 October 2015 relating to the Hong Kong Public Offer entered into by, among others, our Company, the Sole Global Coordinator and the Hong Kong Underwriters, particulars of which are set out in the section headed “Underwriting” in this prospectus
“Housing Authority”	the Hong Kong Housing Authority of the Hong Kong Government
“Independent Third Party(ies)”	individual(s) or company(ies) which is/are independent of and not connected with (within the meaning of the Listing Rules) any director, chief executive or substantial shareholder of our Company or any of its subsidiaries or any of their respective associates
“International Offer”	the placing of the International Offer Shares at the Offer Price to professional, institutional and other investors, as further described in the section headed “Structure of the Global Offering” in this prospectus
“International Offer Shares”	the 344,250,000 new Shares (subject to reallocation and the Over-allotment Option) initially being offered at the Offer Price by our Company for subscription under the International Offer as described in the section headed “Structure of the Global Offering” in this prospectus
“International Underwriters”	the underwriters named in the International Underwriting Agreement
“International Underwriting Agreement”	the conditional underwriting agreement expected to be entered into on or about the Price Determination Date by, among others, our Company, the Sole Global Coordinator and the International Underwriters in respect of the International Offer
“Ipsos”	Ipsos Limited, a market research company incorporated in Hong Kong on 21 August 1998 which is an Independent Third Party
“Ipsos Report”	an independent market research report in respect of the foundation construction industry in Hong Kong and Macau dated 30 October 2015, commissioned by our Company and prepared by Ipsos

DEFINITIONS

“K. Wah International”	K. Wah International Holdings Limited, a company whose shares are listed on the Main Board (Stock Code: 0173) and one of our top five customers by affiliated group throughout the Track Record Period
“Kin Wing”	Kin Wing Chinney (BVI) Limited (formerly known as Pui Shan Holding Limited from 15 March 1994 to 28 June 1994 and Kin Wing-Chinney Holdings Limited from 29 June 1994 to 14 August 1997), a company incorporated in the BVI with limited liability on 15 March 1994, and a direct wholly-owned subsidiary of our Company
“Kin Wing Engineering”	Kin Wing Engineering Company Limited (建榮工程有限公司) (formerly known as Sheen Glory Limited), a company incorporated in Hong Kong with limited liability on 19 August 1993, and an indirect wholly-owned subsidiary of our Company
“Kin Wing Foundations”	Kin Wing Foundations Limited (建榮地基有限公司), a company incorporated in Hong Kong with limited liability on 2 May 1995, and an indirect wholly-owned subsidiary of our Company
“Kin Wing Machinery”	Kin Wing Machinery & Transportation Limited (建榮機械及運輸有限公司), a company incorporated in Hong Kong with limited liability on 24 February 1994, and an indirect wholly-owned subsidiary of our Company
“Kinwing Macau”	Kinwing Engineering (Macau) Company Limited (建榮工程(澳門)有限公司), a private limited liability company by quotas incorporated in Macau on 1 June 2005, and an indirect wholly-owned subsidiary of our Company
“KWE Loan”	has the meaning ascribed to it in the paragraph headed “History and Corporate Structure — Our Reorganisation” in this prospectus
“KWF Loan”	has the meaning ascribed to it in the paragraph headed “History and Corporate Structure — Our Reorganisation” in this prospectus
“Latest Practicable Date”	20 October 2015, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its printing
“Listing”	the listing of our Shares on the Main Board of the Stock Exchange

DEFINITIONS

“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date on which dealings in our Shares first commence on the Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Macau” or “Macao”	the Macau Special Administrative Region of the PRC
“Macau Government”	the government of Macau
“Macau Legal Adviser”	Rato, Ling, Lei & Cortés - Advogados, legal adviser to our Company as to Macau law
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company, as amended from time to time
“Mr. Chan”	Mr. Chan Yuen Keung, our executive Director and the vice-chairman of our Board
“Mr. Fung”	Mr. Fung Man Hei Herman, our executive Director and the chairman of our Board
“Mr. So”	Mr. So Hin Kwong, our executive Director and the general manager of our Company
“Mr. Wong”	Mr. Wong Sai Wing James, a Controlling Shareholder
“Mr. Yu”	Mr. Yu Wing Sang, our executive Director and the managing director of our Company
“MOP”	Macau Pataca, the lawful currency of Macau
“Multi-Investment”	Multi-Investment Group Limited, a company incorporated in the BVI with limited liability on 11 September 1998, which is interested in approximately 29.10% of the issued shares in CAG as at the Latest Practicable Date and is indirectly owned by Mr. Wong
“New Public Shareholder(s)”	the new public shareholder(s) of our Company upon completion of the Listing and the Global Offering
“Nomination Committee”	the nomination committee of the Board

DEFINITIONS

“Non-Qualifying CAG Shareholder(s)”	CAG Shareholder(s) whose name(s) appeared in the register of members of CAG at 4:30p.m. on the Record Date and whose address(es) as shown in such register is/are in any of the Specified Territories and any CAG Shareholder(s) or Beneficial CAG Shareholder(s) at that time who is/are otherwise known by CAG to be resident in any of the Specified Territories
“Offer Price”	the final price for each Offer Share (exclusive of brokerage fee, SFC transaction levy and the Stock Exchange trading fee) at which the Offer Shares are to be offered for subscription pursuant to the Global Offering
“Offer Share(s)”	the Hong Kong Offer Share(s) and the International Offer Share(s) together, where relevant, with any additional Share(s) issued pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option expected to be granted by our Company to the International Underwriters, exercisable by the Sole Global Coordinator on behalf of the International Underwriters pursuant to the International Underwriting Agreement
“Overseas Employee(s)”	employee(s) of our Company, the Remaining Group or any of their respective subsidiaries or branches who is/are not Hong Kong resident
“ PINK Application Form(s)”	the application form(s) to be sent to Eligible Employee(s) to subscribe for the Employee Reserved Shares pursuant to the Employee Preferential Offer
“Preferential Entitlement”	the entitlement of the Qualifying CAG Shareholder(s) to apply for the Reserved Shares under the Preferential Offer on an assured basis to be determined on the basis of their respective shareholdings in CAG as at 4:30p.m. on the Record Date
“Preferential Offer”	the preferential offer to the Qualifying CAG Shareholders for subscription of up to 34,425,000 Reserved Shares (representing 10.0% and 9.0% of the Offer Shares available under the International Offer and the Global Offering, respectively (assuming no reallocation and that the Over-allotment Option is not exercised)) as Preferential Entitlement at the Offer Price on and subject to the terms and conditions stated herein and in the BLUE Application Form, as further described in the section headed “Structure of the Global Offering” in this prospectus

DEFINITIONS

“Price Determination Agreement”	the agreement to be entered into between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or about 4 November 2015, on which the Offer Price is expected to be fixed for the purpose of the Global Offering or any later date as may be agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), but, in any event, no later than 9 November 2015
“Qualifying CAG Shareholder(s)”	CAG Shareholder(s) whose names(s) appearing on the register of members of CAG at 4:30 p.m. on the Record Date, excluding the Non-Qualifying CAG Shareholder(s) and directors of our Company or any of our subsidiaries
“Record Date”	27 October 2015, being the record date for ascertaining entitlements to the Preferential Offer
“Regulation S”	Regulation S under the U.S. Securities Act
“Remaining Group”	CAG and its subsidiaries after the Spin-off, which excludes our Group
“Remuneration Committee”	the remuneration committee of the Board
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing as described in the paragraph headed “History and Corporate Structure — Our Reorganisation” in this prospectus
“Repurchase Mandate”	the general unconditional mandate granted to our Directors by our Shareholder in relation to the repurchase of our Shares, further information on which is set forth in the paragraph under “Statutory and General Information — A. Further Information about our Company and our Group — 7. Repurchase by our Company of its own securities” in Appendix IV to this prospectus
“Reserved Share(s)”	the Offer Share(s) available in the Preferential Offer being offered by the Company to Qualifying CAG Shareholders pursuant to the Preferential Offer as Preferential Entitlement which are to be allocated out of the International Offer Shares as described in the section headed “Structure of the Global Offering” in this prospectus

DEFINITIONS

“Retained Business”	the principal activities engaged by the Remaining Group, including (i) importing, marketing and distribution of plastics and chemical products; (ii) provision of building services and electrical and mechanical installation and maintenance services such as air-conditioning, fire systems and electrical and extra-low voltage works; (iii) sales and installation of air-conditioning systems, digital energy optimisation systems, outdoor LED lighting systems and other building related electrical systems; (iv) provision of superstructure construction works; (v) distribution and installation of aviation systems and other hi-tech products; and (vi) other investment activities such as equity investments and investment in real estates
“S E A Holdings”	S E A Holdings Limited, a company whose shares are listed on the Main Board (Stock Code: 0251) and one of our top five customers by affiliated group during the Track Record Period
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of par value of HK\$0.10 each in the share capital of our Company
“Share Purchase Agreement”	the agreement for the sale and purchase of the entire issued share capital of Kin Wing (as target company) entered into among Chinney Construction (as vendor), our Company (as purchaser) and CAG (as guarantor) on 15 October 2015, pursuant to which our Company acquired from Chinney Construction the entire issued share capital of Kin Wing at a consideration of HK\$1,622 which is equivalent to the book value of the investment cost in Kin Wing, further particulars of which are set out in the paragraph headed “History and Corporate Structure — Our Reorganisation” in this prospectus
“Shareholder(s)”	holder(s) of our Share(s)
“Specified Territories”	in respect of the Preferential Offer, such territory or territories which our Directors and our Company consider it necessary or expedient to exclude from the Preferential Offer on account of the legal restrictions under the laws of the relevant jurisdiction or the requirements of the relevant regulatory body or stock exchange in that jurisdiction

DEFINITIONS

“Spin-off”	the separate listing of the Shares on the Main Board, which is expected to be effected by way of the Global Offering including the Preferential Offer
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between CAG and the Stabilising Manager on or about the Price Determination Date
“Stock Exchange” or “HKEx”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Sun Hung Kai”	Sun Hung Kai Properties Limited, a company whose shares are listed on the Main Board (Stock Code: 0016) and one of our top five customers by affiliated group during the Track Record Period
“Takeovers Code”	the Code on Takeovers and Mergers, as amended, supplemented or otherwise modified from time to time
“Town Planning Ordinance”	the Town Planning Ordinance (Chapter 131 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the period comprising the three financial years of our Group ended 31 December 2014 and the four months ended 30 April 2015
“Underwriters”	the Hong Kong Underwriters and/or the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “U.S.” or “USA”	the United States of America
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“WBDB”	the Works Branch of the Development Bureau
“Wheelock Properties”	Wheelock Properties (Hong Kong) Limited, a wholly-owned subsidiary of Wheelock and Company Limited whose shares are listed on the Main Board (Stock Code: 0020) and one of our top five customers by affiliated group during the Track Record Period

DEFINITIONS

“ WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong 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 Hong Kong Offer Shares to be deposited directly into CCASS
“sq.ft.”	square foot (feet)
“%”	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.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms and definitions used in this prospectus in connection with our Group and its business. The terms and their meanings may not correspond to standard industry meaning or usage of those terms.

“Approved Specialist List”	List of Approved Suppliers of Materials and Specialist Contractors for Public Works as kept by the Development Bureau
“Authorised Signatory(ies)”	the appointed person(s) to act for a registered contractor for the purpose of the Buildings Ordinance
“BEAM” or “BEAM Plus”	an acronym for Building Environmental Assessment Method which is a green building assessment system to measure, improve and label the environmental performance of buildings
“bored pile”	a type of reinforced concrete pile mostly formed by machine excavation to the required level with reinforcement bar put in the bore hole and the hole filled with concrete subsequently
“ELS”	excavation and lateral support
“HKCAS”	the Hong Kong Certification Body Accreditation Scheme
“ISO”	an acronym for a series of quality management and quality assurance standards published by International Organization for Standardization, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“ISO 9001”	quality management system requirements published by ISO
“ISO 14001”	environmental management system requirements published by ISO
“ISO 50001”	energy management system requirements published by ISO
“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 delegates different work tasks of the construction to other contractors
“mini-pile”	a type of pile which consists of one or more steel bars encased by grout inside a borehole, which in general does not exceed 400 mm in diameter

GLOSSARY OF TECHNICAL TERMS

“OHSAS”	Occupational Health and Safety Assessment Specification, an international assessment specification for occupational health and safety management systems, issued by the Occupational Health and Safety Advisory Services
“OHSAS 18001”	the requirements for occupational health and safety management system developed for managing health and safety risks associated with a business
“percussive steel H-pile” or “percussive H-pile”	a type of pile formed by driving to the required depth by direct or indirect hammering or other percussive means
“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
“pipe pile”	a type of pile designed to use circular steel tubes or pipes to provide intermitted vertical support and are installed before excavation commence
“rock-socketed steel H-pile” or “socketed 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
“sheet pile”	a type of pile of thin interlocking steel sheet used to construct a continuous barrier in the ground
“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. The forward-looking statements are contained principally in the sections headed “Summary”, “Risk Factors”, “Industry Overview”, “Business”, “Financial Information” and “Future Plans and Proposed Use of Proceeds” in this prospectus. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under the section headed “Risk Factors” in this prospectus, which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating 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”, “estimate”, “expect”, “intend”, “may”, “might”, “plan”, “project”, “seek”, “will”, “would” and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to 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 applicable laws, rules and regulations, we do 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 we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section as well as the risks and uncertainties discussed in the section headed “Risk Factors” in this prospectus.

RISK FACTORS

In addition to other information in this prospectus, you should carefully consider the following risk factors before making any investment decision in relation to the Offer Shares. Any of the following risks may materially and adversely affect our business, financial condition or results of operations, or otherwise cause a decrease in the trading price of the Offer Shares and cause you to lose part or all of the value of your investment in the Offer Shares.

RISKS RELATING TO OUR FOUNDATION BUSINESS

We need to maintain qualifications and registrations for the operation of our business

We are required to maintain operating qualifications and registrations to conduct our business. Please refer to the paragraph headed “Business — Major Qualifications, Certifications, Awards and Recognition” in this prospectus for further details. To maintain such qualifications and registrations, we must comply with the restrictions and conditions imposed by various Government departments. For instance, contractors registered with WBDB are subject to a regulatory regime which is put in place to ensure contractors’ standards of financial capability, expertise, management and safety. Please see the section headed “Laws and Regulations” in this prospectus for additional information.

Further, the standards of compliance required may from time to time be subject to changes without substantial advance notice. We cannot assure that all the required qualifications and registrations can be maintained or renewed in a timely manner or at all. If we fail to comply with any of these restrictions or conditions, our qualifications and registrations could be temporarily suspended or even revoked, or the renewal of our qualifications and registrations upon expiry of their original terms may be delayed or refused. In such event, our capability to undertake relevant works may be directly impacted, and our turnover and profits may be adversely affected.

Our revenue relies on successful tenders of foundation projects which are not recurrent in nature, and there is no guarantee that our customers will provide us with new business or that we will secure new customers

During the Track Record Period and up to the Latest Practicable Date, all of our revenue was derived from foundation projects in Hong Kong and Macau which were awarded to us on successful tenders. 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. There is no guarantee that our current customers will in the future continue to include us in their tendering process or award us with new contracts, or that we will be able to seek new customers. Upon 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 new contracts when considering our Group’s future prospects.

RISK FACTORS

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

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, site conditions, project time frame, estimated construction materials costs, labour and machinery requirement and capacity, extent of subcontracted works required, our relationship with potential customers and prevailing market conditions. In the event that we fail to accurately 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.

Furthermore, to provide for certain unforeseen circumstances which are beyond the control of our Group, our contracts may include a clause providing for an “extension of time”, which enables us to extend the completion date subject to the parties’ agreement. Our Group may be subject to liquidated damages due to delay in completing the project if extension of time is not granted by our customers, calculated on the basis of a fixed sum per day or according to certain damages calculating mechanism as stipulated under the contract for the period which the works remain incomplete. During the Track Record Period and up to the Latest Practicable Date, we had no material liquidated damages claimed against us due to our delay in completing the project in respect of which time extension is not granted by our customers. For details, please refer to the paragraph headed “Business — Operating Procedures — 4. Completion phase — Surety bonds/liquidated damages” 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 may be generated from our contracts, and may result in material adverse impact on our operation and financial performance.

Shortage of labour may affect our projects and our performance

There is no assurance that the supply of labour and average labour costs will be stable. If there is a significant increase in the costs of labour and we have to retain our labour (or our subcontractors have to retain their labour) by increasing their wages, our staff cost or subcontracting cost (as the case may be) will increase and thus lower our profitability. On the other hand, if we or our subcontractors fail to retain our or their existing labour or recruit sufficient labour in a timely manner, we may not be able to complete our projects on schedule and may be subject to liquidated damages and incur losses.

RISK FACTORS

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

Our principal construction materials include concrete, steel bar, diesel and other metal materials. For each of the three years ended 31 December 2014 and the four months ended 30 April 2015, the costs of construction materials amounted to approximately HK\$421.1 million, HK\$406.9 million, HK\$390.6 million and HK\$170.6 million respectively, representing approximately 47.6%, 41.4%, 35.4% and 36.5% of our total cost of sales, respectively.

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

There may be discrepancies between ground investigation findings and the actual geological conditions of the site which may cause our Group additional costs

Prior to commencement of our piling construction and ancillary works, we may conduct ground investigation or our customers may supply us with ground investigation report. However, information contained in 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 piling construction and ancillary works, thereby exposing our Group to uncertainties in the course of implementation of our projects.

We depend on our key management personnel

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

RISK FACTORS

We rely on our major customers

For each of the three years ended 31 December 2014 and the four months ended 30 April 2015, our five largest customers by affiliated group accounted for approximately 61.1%, 67.0%, 60.8% and 68.9% of our revenue, respectively, and our largest customer by affiliated group accounted for approximately 23.4%, 30.8%, 18.0% and 24.5% of our revenue, respectively.

There is no assurance that our major customers will maintain the current business relationship with us and engage us in the future. Any deterioration in the business relationship or termination of the business relationship with our major customers may adversely affect our financial position if we fail to find other customers or diversify our customer base.

Increase in revenue contribution by public sector projects may affect our profitability

It is our strategy to capture the growing business opportunity in the public sector. In September 2014, we obtained a sizeable piling construction contract from the Housing Authority with a contract sum of approximately HK\$379.9 million, which resulted in the significant increase in revenue contribution from public sector customers for the four months ended 30 April 2015. For each of the three years ended 31 December 2014 and the four months ended 30 April 2015, revenue contribution from the public sector customers accounted for approximately 18.1%, 3.8%, 7.4% and 28.4% respectively of our total revenue.

In general, public sector projects have tighter control and checking on compliance for safety and environmental rules and regulations and are “build only” contracts which have lower profit margin compared to the private sector projects. A significant increase in revenue contribution by public sector projects may result in less resources being allocated to private sector projects with generally higher profit margin and hence may have an adverse effect on our profitability and financial performance.

We place heavy reliance on the use of machinery

Our capacity to carry out our foundation business depends on the availability of our machinery, which mainly consists of crawler cranes, oscillators, reverse circulation drills, drilling rigs, hammers grabs and vibrators.

Accordingly, the number of foundation works projects that can be undertaken by our Group simultaneously at any given time is limited by our resources including the capacity of our machinery to carry out foundation works. There is no assurance that our machinery will not be damaged or lost as a result of, among other things, improper operation, accidents, fire, adverse weather conditions, theft or robbery. Besides, machinery may break down or fail to function normally due to wear and tear or mechanical or other issues. If there is unexpected breakdown or damage of our machinery during the construction process of projects, repair of machinery takes time and (if repair is not feasible) we may face difficulties in sourcing replacements within a short time. Our work progress may be delayed which may result in liquidated damages being payable by us.

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

We experienced revenue growth over the Track Record Period. Our revenue increased from approximately HK\$1,048.7 million for the year ended 31 December 2012 to approximately HK\$1,178.3 million for the year ended 31 December 2013 and further to approximately HK\$1,381.5 million for the year ended 31 December 2014, representing a CAGR of approximately 14.8%. As at the Latest Practicable Date, the awarded contract sum for the contracts on hand (including contracts in progress and contracts of which our work has yet to commence) amounted to approximately HK\$3,240.6 million. We may experience delay in the commencement or progress of our work due to factors outside our control such as change in foundation design by our customers, adverse weather conditions and delay in obtaining governmental approvals for commencement of works.

There is no assurance that we will be able to maintain our current turnover and profit levels in the future or attain growth rates similar to those achieved by us 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.

Legal and arbitration proceedings may arise and affect our operations and our reputation

We may be involved in disputes arising from our business operations, which may lead to legal and arbitration proceedings. For instance, disputes may arise due to material delay preventing our Group from completing our obligations under a contract in accordance with its terms or when our customers and our Group take different views on the valuation on variation works in accordance with the terms of a contract. We may have to incur costs to defend our Group in legal and arbitration proceedings. If we are not successful in defending our Group in any proceedings, we may be liable to pay damages. Such payments may be significant and may adversely affect our business operations and financial position.

As at the Latest Practicable Date, we were a party to two major outstanding litigations (other than employee's compensation claims and personal injuries claims) in which our Group was charged by the Labour Department for failing to comply with certain provisions of the Factories and Industrial Undertakings Ordinance. Our Group pleaded not guilty to the charges. As advised by the Hong Kong Legal Counsel, if our Group is found liable, we may become liable for a fine. In case we are convicted, our reputation in the industry will also be damaged. For details, please refer to the paragraph headed "Business — Litigation and Potential Claims" in this prospectus.

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Claims in connection with employees' compensation or personal injuries may arise and affect our reputation and operations

Injuries to workers and casualty at construction sites are a common inherent risk in the foundation industry. As at the Latest Practicable Date, there were eight major outstanding employee's compensation claims and/or personal injuries claims, which we had received the relevant summons and legal proceedings had been commenced. Further information regarding such claims is set out in the paragraph headed "Business — Litigation and Potential Claims" in this prospectus.

Claims of such nature expose us to the risk of bearing higher insurance premiums in the future. They may also bring damage to the reputation of our Group if they turn into high profile cases and become widely reported in the media or within the industry. Handling of such cases may also be time-consuming and may divert the efforts and resources of our management.

We may damage underground service utilities or foundation of aged buildings adjacent to our sites when carrying out our works

In Hong Kong, many service utilities are laid underground or below carriageways and footways, including fresh and flush water mains, gas mains, electric and telephone cables. We may encounter these service utilities when we carry out foundation works. We cannot assure that damage to those utilities will not occur during our works. Accordingly, we may be liable to the costs for the repair of any damaged service utilities, and may even be subject to criminal liability under relevant laws and regulations.

During the Track Record Period, we have been sued by a public utility company for damaging an electricity cable owned by it in the course of carrying out excavation works. The claim was for approximately HK\$4.6 million and full provision of this amount together with estimated legal costs of the public utility company has been made by our Group. For details, please refer to the paragraph headed "Business — Litigation and Potential Claims" in this prospectus.

In addition, there may be foundation of aged buildings adjacent to our sites. They may be damaged during our excavation works or piling works which may affect the underground condition. All of these may lead to increase in our costs and delay in work progress which may result in liquidated damages being payable by us.

We may not be able to secure suitable premises for storage of our machinery and equipment

Currently we sub-lease a parcel of land of approximately 180,000 sq.ft. as our depot for maintenance of machinery and equipment, and storage of idle machinery, equipment and excess inventory in Yuen Long, Hong Kong for a term of three years expiring on 31 January 2017.

At the time when we entered into such sub-tenancy agreement with our lessor, our lessor represented to us that it has the right to lease the land to us. However, our right to use the land may be uncertain due to, among others, the following: (i) our lessor has not yet provided us with all valid head tenancy agreements and relevant consents from the registered owners of the land to sub-lease the

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land; and (ii) the exact area of the relevant lots has not been clearly described under the sub-tenancy agreement. As a result, our Group may be subject to allegation of trespassing by the ultimate owners of the said land or other relevant parties, who might evict us from the said land and claim for the open market rental for our occupation of the said land.

Further, out of the 20 lots at which the said land is located, 17 of them do not fall within the land-use zoning of open storage. While permission has been obtained from the Planning Department for the temporary open storage of containers with ancillary office for these 17 lots, the permission for four of the lots has already expired. We are advised by our Hong Kong Legal Counsel that current usage of the four lots for open storage without valid permission constitutes an unauthorised development on the said land which is an offence under section 20(7) of the Town Planning Ordinance. In addition, the Planning Department is entitled to issue an enforcement notice to the landowner, occupier(s) or the person who is responsible for the non-permitted use under the zoning plan under section 23(1) of the Town Planning Ordinance. We may be subject to relevant fines imposed under the above ordinances. Upon becoming aware of the nature and extent of the issues, we have decided to vacate those four lots in respect of which permission granted by the Planning Department has already expired and requested our lessor to arrange for renewal of the expired permission. For details, please refer to the paragraph headed “Business — Properties” in this prospectus.

In the event that we are being evicted, we may need to cease to use all or part of our depot and secure alternative depot. As storage facilities have to be located on premises which meet zoning and permitted land use requirements, such premises may not be immediately available when needed. In the event that we cannot find alternative depot when required, this may result in disruptions to our operations which will in turn adversely affect our profitability.

Our insurance may not fully cover all the potential losses arising from our business

For projects where our Group acts as the main contractor, we take out employees’ compensation insurance and contractors’ all risks insurance which cover our Group’s and our subcontractors’ employees and works performed by us or them. Similarly, where we undertake the role of subcontractor in a project, we are covered by the employees’ compensation insurance and contractors’ all risks insurance taken out by the project’s main contractor. For details, please refer to the paragraph headed “Business — Safety and Insurance — Insurance” set out in this prospectus.

Nonetheless, there is no assurance that all potential losses and expenses incurred from damages or liabilities in relation to our business can be fully covered by insurance. In the event that we suffer from any losses, damages or liabilities in the course of our business operations which our insurance does not cover, we may not have sufficient funds to cover such losses, damages or liabilities. The resulting payment to cover such losses, damages or liabilities may have a material adverse effect on our business, results of operations and financial position.

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Contractual disputes may arise from variation orders requested by our customers

In the course of project implementation, our customers may give “variation orders” to us and request us to alter the scope of works or perform additional works on top of the scope of the original construction contracts. The terms of these “variation orders” are agreed between our Group and the surveyor authorised by our customers in accordance with, among other things, 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. If our Group disagrees on the rates fixed by such surveyor, contractual disputes with our customers may arise, and our results of operation, liquidity and financial position may be adversely affected.

We rely on subcontractors to help complete our projects

In line with the usual practice of the foundation industry in Hong Kong, we engage third party subcontractors to perform a portion of the works under our contracts. Our total subcontracting costs accounted for approximately 25.0%, 31.6%, 34.7% and 32.1% respectively of our total cost of sales for each of the three years ended 31 December 2014 and the four months ended 30 April 2015.

Other than any significant increase in the subcontracting 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 subcontractors, or if our subcontractors violate any laws, rules or regulations in relation to health and safety matters. We are also exposed to risks associated with any non-performance, delayed performance or sub-standard performance by our subcontractors or their respective employees. We may also incur additional costs or be subject to liability due to delay in schedule or defect in the works of our subcontractors or if there is any accident causing personal injuries or death of our subcontractors’ employees. 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 subcontractor is/are jointly and severally liable to pay any wages that become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, if such wages are not paid within the period specified in the Employment Ordinance. Our operations and hence our financial position may be adversely affected if any of our subcontractors violates its obligations to pay its employees.

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

Our Group’s foundation contracts normally require our customers to make progress payments on a monthly basis. Once our Group has submitted a monthly bill, the consultant or architect appointed by our customer will certify the amount of work done. Our customer usually settles the bill, net of any agreed retention money, ranging from 30-45 days after receipt of the consultant/architect’s certification. Our trade receivables were approximately HK\$101.4 million, HK\$138.6 million, HK\$189.2 million and HK\$247.1 million as at 31 December 2012, 2013, 2014 and 30 April 2015,

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respectively. We did not experience material difficulty in collecting our trade 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.

In addition, retention monies are generally required by our customers to secure our Group's due performance of the contracts. Retention money is normally 10.0% of the value of the works done, subject to a maximum rate of 5.0% of the total contract value. Upon satisfactory completion of the contract, a practical completion certificate will be issued by the architect, at which time half of the retention money will be released. The rest of the retention money is usually released upon the expiry of the defect liability period when a maintenance certificate will be issued by the architect to authorise such release. As at 30 April 2015, the aggregate retention money held by our customers for contracted works included in our retention receivables amounted to approximately HK\$176.0 million. 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 foundation 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 recorded net current liabilities as at 31 December 2014 and are expected to record net current liabilities as a result of the declaration of special dividends

As at 31 December 2014, we recorded net current liabilities of approximately HK\$14.3 million compared with net current assets of approximately HK\$21.2 million as at 31 December 2013, which was primarily attributable to the dividend payment of approximately HK\$100.5 million and capital expenditure of approximately HK\$75.7 million, and partially offset by the profit for the year ended 31 December 2014 (before deducting the depreciation charge of approximately HK\$35.3 million) of approximately HK\$133.9 million. As at 31 August 2015, we recorded net current assets of approximately HK\$44.0 million. Prior to Listing, our Group declared special dividends of approximately HK\$232.0 million to the Remaining Group of which approximately HK\$210.0 million will be settled by internal resources of our Group before Listing. The declaration of such special dividends will lead to a net current liability position based on the net current assets of approximately HK\$44.0 million as at 31 August 2015. For further details, please refer to the sections headed "Financial Information — Net current assets/(liabilities)" and "Financial Information — Dividends" in this prospectus. A net current liability position may impair our ability to make necessary capital expenditures, develop business opportunities or make strategic acquisitions.

There is no assurance that our operations will generate sufficient cash inflow to finance all our activities and cover our general working capital requirements. In the event that we are unable to generate enough cash from our operations to finance our future development, the performance and

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prospects of our Group as well as our ability to implement our business plan will be adversely affected. For further details of the indebtedness and liquidity, financial resources and capital structure of our Group, please refer to section headed “Financial Information — Net current assets/(liabilities)” in this prospectus.

We may be unable to implement our business strategies effectively

Our ability to continue to grow our business will depend on our continuing ability to successfully implement our business strategies, including continuing to expand our scope of services, competing for sizeable foundation projects, improving our margins and profitability, capturing the growing foundation works from public sector, as well as pursuing strategic geographical expansion and acquisitions.

Our ability to implement our business strategies depends on, among other things, the general economic conditions in Hong Kong, our ability to continue to maintain close relationships with our key customers, the increasing spending by the Hong Kong Government on public works projects, the current growth prospects for private development projects, the availability of management, financial, technical, operational and other resources, and competition. In the event that we are unable to implement these strategies, each of which is subject to factors beyond our control, we may not be able to grow at a rate comparable to our growth in the past, or at all. Consequently, if we fail to effectively implement our business strategies, our business, financial position and results of operations may be materially and adversely affected.

Industrial actions or strikes may affect our business

Typical foundation works are divided into various disciplines, and each requires highly specialised labour. Industrial action of any one discipline may disrupt the progress of our foundation works. During the Track Record Period, we did not encounter any strike action. However, there is no assurance that industrial actions or strikes will not be launched in the future. Such industrial actions or strikes may adversely impact our business performance and hence the profitability and results of our operation. Any delay in completing our foundation works caused by such actions or strikes may also be taken into consideration by our customers and thus will impact our likelihood of winning future tenders.

RISKS RELATING TO OUR INDUSTRY

Our performance depends on market conditions and trends in the foundation industry and the general economic and political conditions in Hong Kong

All our operations are located in Hong Kong during the Track Record Period (except for a portion of revenue which arose from a piling construction project in Macau). The future growth and level of profitability of the foundation industry in Hong Kong depend primarily upon the continued availability of construction projects. The availability of construction projects from the public sector, private sector or institutional bodies will be determined by the interplay of a variety of factors. These factors include the Hong Kong Government’s spending patterns on the construction industry in Hong Kong and its land supply and public housing policy, the approval of the relevant budgets and plans

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on construction projects by the legislative council of Hong Kong, the investment of property developers and the general conditions and prospects of Hong Kong's economy. If there is any recurrence of recession in Hong Kong, any changes in Hong Kong's land supply and public housing policy, the demand for foundation works in Hong Kong may deteriorate and our operations and profitability could be adversely affected.

In addition, recently, there have been large scale demonstrations and protests in Hong Kong. Any change in the existing political environment in Hong Kong may bring about instability of its economy, thereby adversely affects the construction industry in which we operate.

Our business may be affected by changes in existing laws

Our operation is subject to certain laws and regulations of Hong Kong and Macau. For details, please refer to the section headed "Laws and Regulations" in this prospectus. Such laws and regulations may change from time to time to reflect the latest requirements and any changes may increase the cost incurred by our Group for due compliance. Failure to comply with and satisfy such laws and regulations may lead to suspension of relevant licences, qualifications or registrations to operate and, in turn, adversely affect our business operations and financial conditions.

Our operations may be affected by adverse weather conditions and are subject to other construction risks

Our business operations are mostly conducted outdoors and are vulnerable to adverse weather conditions. If adverse weather conditions persist or natural disaster occurs, we may be prevented from performing works at our sites, and thereby fail to meet specified time schedule. If we have to halt operations during inclement weather or natural disaster, we may continue to incur operating expenses even while we experience reduced revenues and profitability.

Besides, our business is subject to outbreak of severe communicable diseases (such as swine flu, avian flu, Middle East respiratory syndrome and severe acute respiratory syndrome), natural disasters or other acts of God which are beyond our control. These incidents may also adversely affect the economy, infrastructure, livelihood and society in Hong Kong. Acts of wars and terrorism may also injure our employees, cause loss of lives, damage our facilities, disrupt our operations and destroy our works performed. If any such incident occurs, our revenue, costs, financial conditions and growth potentials will be adversely affected. It is also difficult to predict the potential effect of these incidents and their materiality to our business as well as those of our customers, suppliers, subcontractors and employers.

We occasionally carry out foundation projects or have business operations in Macau, and such business is subject to economic, political and regulatory risks in Macau

Our Group had one piling construction project in Macau during the Track Record Period with contract sum of approximately MOP180.3 million. Although we do not actively seek for new opportunities in Macau, we may participate in Macau's foundation industry in the future when suitable opportunities arise. Conducting business in Macau involves certain risks not typically associated with operations in Hong Kong. They include risks relating to changes in Macau's and China's political,

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economic and social conditions, changes in Macau governmental policies, changes in Macau laws or regulations or their interpretation, changes in regulatory requirements in relation to subcontracting foundation works, tightening of regulations on foreign contractors and subcontractors, changes in exchange control regulations, change in interest rate and change in rates or method of taxation. Our Group's operations in Macau are also exposed to the risk of changes in laws and policies that govern companies that operate in Macau, specifically foundation contractors and subcontractors carrying out works in Macau. In addition, the legal and judicial system adopted in Macau is substantially different from that in Hong Kong. Rights and protection generally expected under Hong Kong laws for companies in Hong Kong may not exist in Macau.

RISKS RELATING TO THE SHARES AND THE GLOBAL OFFERING

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 Global Offering, purchasers of our Shares in the Global Offering will experience an immediate dilution in the unaudited pro forma adjusted combined net tangible assets value to approximately HK\$0.294 to approximately HK\$0.333 per Share, based on the Offer Price of HK\$0.50 to HK\$0.66 per Share.

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

Immediately following the Capitalisation Issue and the Global Offering, our Controlling Shareholders will beneficially hold an aggregate of approximately 74.5% of the Shares in issue (without taking into account the Shares, if any, to be allotted and issued pursuant to the exercise of the Over-allotment Option). The interests of the Controlling Shareholders may differ from the interests of the other Shareholders. There is no assurance that the Controlling Shareholders will act in our best interests or that of the minority Shareholders. If there is any conflict of interests between the Controlling Shareholders and the minority Shareholders, the Controlling Shareholders may have power to prevent us from proceeding with any proposed transactions at the general meeting which could be beneficial to us and other Shareholders, regardless of the underlying reasons.

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

After the 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, or (ii) such newly issued securities may have rights, preferences or privileges superior to those of the ordinary Shares held by existing Shareholders.

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An active trading market for our Shares may not develop

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

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

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

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

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

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

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

Our Company is incorporated in Bermuda and its affairs are governed by the Bye-laws, the Companies Act and common law applicable in Bermuda. The laws of Bermuda 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 Bermuda company law on protection of minorities is set out in the paragraph headed "Summary of the Constitution of our Company and Bermuda Company Law — 4. Bermuda Company Law" in Appendix III to this prospectus.

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RISKS RELATING TO STATEMENTS MADE IN THIS PROSPECTUS

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

Certain statistics, facts, data and forecasts presented in the section headed “Industry Overview” and elsewhere in this prospectus including those relating to Hong Kong and Macau, the Hong Kong economy, the Macau economy and the foundation industry have been derived, in part, from various publications and industry-related sources prepared by governmental officials or Independent Third Parties. Such statistics, facts, data and forecasts have not been independently verified by our Group, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, nor any of the parties involved in the Global Offering and no representation is given as to their accuracy and completeness, as such these information should not be unduly relied upon.

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

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

Investors should read this entire prospectus carefully and we strongly caution you not to place any reliance on any information (if any) contained in press articles or other media regarding us and the Global Offering 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 Global Offering 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 Global Coordinator, the Sole Bookrunner, 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 Global Offering 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.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (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 purposes of giving information with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering 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 Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus, and the procedures for applying for the Hong Kong Offer Shares, the Reserved Shares and the Employee Reserved Shares are set out in the section headed "How to apply for Hong Kong Offer Shares, Reserved Shares and Employee Reserved Shares" in this prospectus and in the relevant Application Forms.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in it is correct as of any subsequent time.

UNDERWRITING

This prospectus is published in connection with the Global Offering. The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Offer is expected to be entered on or around the Price Determination Date, subject to agreement on pricing of the Offer Shares between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company. The Global Offering is managed by the Sole Global Coordinator.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

If, for any reason, the Offer Price is not agreed on or before Monday, 9 November 2015, the Global Offering will not proceed and will lapse. Further details about the Underwriters and the underwriting arrangements are contained in the section headed “Underwriting” in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong (save for the Preferential Offer made to the Qualifying CAG Shareholders). 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 Hong Kong Offer Shares, the Reserved Shares and the Employee Reserved Shares are offered to the public, the Qualifying CAG Shareholders and the Eligible Employees, respectively, for subscription solely on the basis of the information contained and the representations made in this prospectus and the related Application Forms. No person is authorised in connection with the Global Offering to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Underwriters, any of their respective directors or any other person involved in the Global Offering.

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

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

Australia

This prospectus is not a disclosure document under Chapter 6D of the Corporations Act 2001 (Cth) (the “**Australian Corporations Act**”). Neither this prospectus nor any other document in relation to the Reserved Shares under the Preferential Offer has been, or needs to be, lodged with the Australian Securities and Investments Commission. This prospectus does not purport to include the information required of a disclosure document under Chapter 6D of the Australian Corporations Act.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

An offer of the Reserved Shares is made in Australia only to persons to whom it is lawful to offer the Reserved Shares without disclosure under one or more of the exemptions set out in section 708 of the Australian Corporations Act (an “**Exempt Person**”). By accepting this offer, an offeree represents that the offeree is an Exempt Person. No Reserved Shares will be issued or sold in circumstances that would require the giving of a disclosure document under Chapter 6D of the Australian Corporations Act.

The Company is not licensed to provide financial product advice in Australia in relation to the Reserved Shares. This prospectus is intended to provide general information only and has been prepared without taking into account any particular person’s objectives, financial situation or needs. Investors should, before acting on this information, consider the appropriateness of this information having regard to their personal objectives, financial situation or needs. No cooling off period applies in relation to the Preferential Offer under the Australian Corporations Act.

Macau

The Reserved Shares have not been and will not be registered with the Monetary Authority of Macau pursuant to the Macau Financial System Act, and disclosure under the relevant securities laws and regulations has not been and will not be made in respect to the Reserved Shares. The Reserved Shares may not be offered or sold directly or indirectly in Macau or to any resident of Macau, or offered or sold to any person for reoffering or re-sale directly or indirectly in Macau or to any resident of Macau, except when in compliance with the Macau Financial System Act and other applicable laws, regulations and governmental or regulatory guidelines of Macau.

PRC

This prospectus has not been and is not intended to be filed with or approved by the China Securities Regulatory Commission or any other regulatory authority in the PRC. The Reserved Shares shall not be offered and may not be offered or sold directly or indirectly in the PRC to any person or entity, unless such person or entity has obtained the necessary and appropriate approvals and/or has filed with the relevant PRC authorities in accordance with applicable PRC laws and regulations.

This prospectus or any other related document or material shall not be distributed in or forwarded to the PRC or used in connection with any offer for subscription or sale of the Reserved Shares in the PRC, except to the extent consistent with applicable PRC laws and regulations, and shall not be made publicly available in the PRC.

Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Reserved Shares may not be circulated or distributed, nor may the Reserved Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) an institutional investor pursuant to Section 274 of the Securities and Futures Act, Chapter 289 of

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Singapore (the “SFA”) or (ii) a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other application provision of the SFA.

UK

This prospectus has not been delivered for approval to the Financial Conduct Authority (“FCA”) in the United Kingdom. No approved prospectus within the meaning of section 85(1) of the Financial Services and Markets Act 2000, as amended (“FSMA”) has been published or is intended to be published in relation to the Preferential Offer. Accordingly the Reserved Shares referred to in this prospectus may not be, and are not being, offered to the public in the United Kingdom under section 85(1) FSMA except in circumstances where section 86(1) FSMA applies. Any Qualifying CAG Shareholder in the United Kingdom who takes up Reserved Shares shall be deemed to represent and warrant that he/she/it is not taking up those Reserved Shares on behalf of other persons in the United Kingdom.

This prospectus is not a financial promotion to which section 21(1) FSMA applies since article 43 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”) removes the financial promotion restriction from communications (which are communicated by a body corporate to its members) which relate to shares in the share capital of the body corporate.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including Shares to be issued pursuant to the Capitalisation Issue and Shares which may be made available under the exercise of the Over-allotment Option) on the Main Board.

No part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is 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, the Offer Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

HONG KONG BRANCH SHARE REGISTER AND STAMP DUTY

Our Company’s principal register of members will be maintained by our principal registrar, Codan Services Limited, in Bermuda and our Company’s branch register of members will be maintained by our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, in Hong Kong.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

No stamp duty is payable by applicants in the Global Offering.

Dealings in the Shares registered in our Hong Kong Branch Share Registrar will be subject to Hong Kong stamp duty.

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

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange and our Company's compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date as 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 advice of their stock brokers or other professional advisers for details of the settlement arrangements that may affect their rights and interests. All necessary arrangements have been made for the Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding and dealing in the Shares. None of our Group, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Underwriters, or any of their respective directors, agents or advisers or any other person involved in the Global Offering accepts responsibility for any tax effects or liabilities of holders of Shares resulting from the subscription, purchase, holding or disposal of, dealing in, or exercising any rights in relation to, our Shares.

COMMENCEMENT OF DEALINGS IN THE SHARES

Assuming that the Global Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 11 November 2015, it is expected that dealings in our Shares on the Main Board will commence at 9:00 a.m. on Wednesday, 11 November 2015. Shares will be traded in board lots of 5,000.

The stock code for the Shares is 1556.

Our Company will not issue any temporary documents of title.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES, RESERVED SHARES AND EMPLOYEE PEFERENTIAL SHARES

The procedures for applying for the Hong Kong Offer Shares, the Reserved Shares and the Employee Reserved Shares are set out in the section headed “How to apply for Hong Kong Offer Shares, Reserved Shares and Employee Reserved Shares” in this prospectus and the relevant Application Forms.

OVER-ALLOTMENT OPTION

Details of the Over-allotment Option are set out in the section headed “Structure of the Global Offering” in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions are set out in the section headed “Structure of the Global Offering” in this prospectus.

ROUNDING

Certain amount and percentage figures included in this prospectus have been subject to rounding adjustments or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere in this prospectus between totals and sums of individual amounts listed therein are due to rounding.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain MOP amounts into Hong Kong dollars at specified rates. You should not construe these translations as representations that the MOP amounts could actually be, or have been, converted into Hong Kong dollar amounts at the rates indicated or at all. Unless we indicate otherwise, the translations of MOP amounts into Hong Kong dollars have been made at the rate of MOP1.03 to HK\$1.00.

WEBSITE

The contents of any website mentioned in this prospectus do not form part of this prospectus.

LANGUAGE TRANSLATION

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

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors</i>		
FUNG Man Hei Herman (馮文起)	Apartment A, 12/F, Tower 2 Ronsdale Garden 25 Tai Hang Drive Tai Hang, Hong Kong	British
CHAN Yuen Keung (陳遠強)	House No. 5 11th Street Hong Lok Yuen Tai Po, New Territories Hong Kong	Chinese
YU Wing Sang (余榮生)	Room 2303, 23/F, Block C Garden Rivera Shatin, New Territories Hong Kong	Chinese
SO Hin Kwong (蘇顯光)	G/F, 96 San Uk Ka Tai Po, New Territories Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
KONG Siu Chee (江紹智)	House Q Evergreen Garden 12-50 Ma Lok Path Kau To Shan Shatin, New Territories Hong Kong	British
PONG Ti Fan Ivan (龐棣勛)	Flat B, 1/F, Block D2 Tang Court 168 Nga Tsin Wai Road Kowloon City, Kowloon Hong Kong	British
TSUI Robert Che Kwong (徐志剛)	Flat H, 21/F Greenbelt Court 23 Discovery Bay Road Greenvale Village Discovery Bay, Lantau Island Hong Kong	Chinese

Further information of our Directors is disclosed in the section headed “Directors and Senior Management” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	Haitong International Capital Limited 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Sole Global Coordinator and Sole Bookrunner	Haitong International Securities Company Limited 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Hong Kong Underwriters	Haitong International Securities Company Limited 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong Gransing Securities Co., Limited 805-806, Far East Consortium Building 121 Des Voeux Road Central Hong Kong Fortune (HK) Securities Limited 35/F, Office Tower, Convention Plaza No. 1 Harbour Road Wanchai Hong Kong
Legal advisers to our Company	<i>As to Hong Kong law:</i> Deacons 5th Floor, Alexandra House 18 Chater Road Central Hong Kong <i>As to Bermuda law:</i> Conyers Dill & Pearman 2901 One Exchange Square 8 Connaught Place Central Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

	<p><i>As to Macau law:</i> Rato, Ling, Lei & Cortés - Advogados Avenida da Amizade no.555 Macau Landmark, Office Tower 23 2301-2302 Macau</p>
Legal adviser to the Sole Sponsor and the Underwriters	<p><i>As to Hong Kong law:</i> Francis & Co. in association with Addleshaw Goddard (Hong Kong) LLP 802-804, Citibank Tower 3 Garden Road Central Hong Kong</p>
Reporting accountants	<p>Ernst & Young <i>Certified Public Accountants</i> 22/F, CITIC Tower 1 Tim Mei Avenue Central Hong Kong</p>
Internal control consultant	<p>Baker Tilly Hong Kong Risk Assurance Limited 2/F, 625 King's Road North Point, Hong Kong</p>
Industry consultant	<p>Ipsos Limited 22/F, Leighton Centre 77 Leighton Road Causeway Bay, Hong Kong</p>
Compliance adviser	<p>Haitong International Capital Limited 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong</p>
Receiving bank	<p>The Bank of East Asia, Limited 10 Des Voeux Road Central Hong Kong</p>

CORPORATE INFORMATION

Registered office	Clarendon House 2 Church Street Hamilton HM11 Bermuda
Headquarters and principal place of business in Hong Kong	Room 2308, 23/F, Wing On Centre 111 Connaught Road Central Hong Kong
Website address	www.chinneykinwing.com.hk <i>(the information contained in this website does not form part of this prospectus)</i>
Company secretary	WAN Ka Yee (ACIS, ACS) Flat 1915, 15/F, Block A Kornhill, Quarry Bay Hong Kong
Authorised representatives	CHAN Yuen Keung House No. 5 11th Street Hong Lok Yuen Tai Po, New Territories Hong Kong WAN Ka Yee (ACIS, ACS) Flat 1915, 15/F, Block A Kornhill, Quarry Bay Hong Kong
Audit Committee	KONG Siu Chee (<i>Chairman</i>) PONG Ti Fan Ivan TSUI Robert Che Kwong
Remuneration Committee	TSUI Robert Che Kwong (<i>Chairman</i>) PONG Ti Fan Ivan CHAN Yuen Keung
Nomination Committee	PONG Ti Fan Ivan (<i>Chairman</i>) TSUI Robert Che Kwong CHAN Yuen Keung
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong

CORPORATE INFORMATION

Bermuda share registrar and transfer office

Codan Services Limited
Clarendon House
2 Church Street
PO Box HM 1022
Hamilton HM DX
Bermuda

Principal bankers

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

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

Hang Seng Bank Limited
83 Des Voeux Road Central
Hong Kong

Shanghai Commercial Bank Limited
35th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

China Construction Bank (Asia) Corporation Limited
3rd Floor, CCB Tower
3 Connaught Road Central
Hong Kong

Chong Hing Bank Limited
Chong Hing Bank Centre
24 Des Voeux Road Central
Hong Kong

INDUSTRY OVERVIEW

This section contains information relating to the industry in which we operate. Certain information and statistics contained in this section have been derived from various official and publicly available sources. In addition, certain information and statistics set forth in this section have been extracted from a market research report commissioned by us and prepared by Ipsos, an independent market research agency. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information or statistics is false or misleading in any material respect 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 Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner and the Underwriters, our or their respective directors and officers or any other parties involved in the Global Offering. 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 and Macau for the period from 2010 to 2019 at a fee of HK\$368,000 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 includes government statistics, journals and financial reports; and (b) primary research which involves interviewing key stakeholders and industry experts in Hong Kong, including foundation work companies, main contractors, developers, architects, quantity surveyors, industry experts and association. 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 87 countries. Ipsos conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence. 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.

Our Directors confirm that after taking reasonable care, there is no adverse change in the market information since the date of the commissioned research report which may qualify, contradict or have an impact on the information in this section.

ASSUMPTIONS AND PARAMETERS USED IN THE IPSOS REPORT

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

- There is no external shock such as financial crisis or natural disasters to affect the demand and supply of the construction and foundation industry over the forecast period; and
- The supply of construction and foundation works is expected to grow under government promotion such as the Ten Major Infrastructure Projects and urban renewal projects.

INDUSTRY OVERVIEW

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

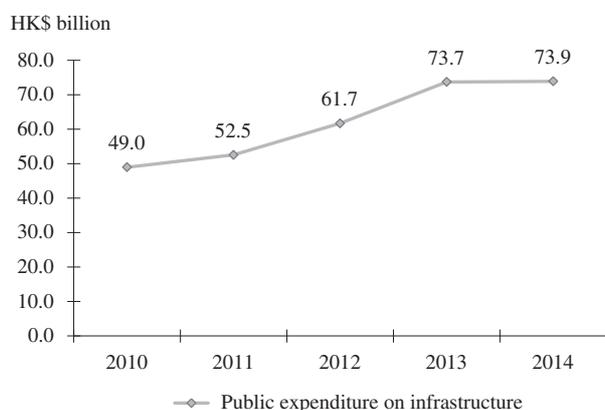
- GDP value and GDP growth rate in Hong Kong from 2010 to 2019 and Macau from 2010 to 2018;
- Public expenditure on infrastructure in Hong Kong from 2010 to 2014;
- Gross output value of construction works performed by main contractors and subcontractors at construction sites in Hong Kong from 2010 to 2014;
- Total number of public rental housing units produced by the Housing Authority in Hong Kong from 2010 to 2018;
- Total number of private residential housing units in new completions in Hong Kong from 2010 to 2014;
- Revenue of foundation industry in Hong Kong and Macau from 2010 to 2019;
- Price trend of steel reinforcements, concrete blocks, and diesel fuel in Hong Kong from January 2010 to May 2015;
- Estimated number of workers involved in foundation industry in Hong Kong from 2010 to 2014;
- Price trend of construction worker wages in Hong Kong from 2010 to 2014; and
- Total number of construction main contractors in Hong Kong from 2010 to 2014.

OVERVIEW OF CONSTRUCTION INDUSTRY IN HONG KONG

Public expenditure on infrastructure in Hong Kong

In Hong Kong, the construction and foundation industries were supported by the rising public expenditure on infrastructure. The public expenditure on infrastructure experienced positive growth, from about HK\$49.0 billion in 2010 to about HK\$73.9 billion in 2014, with a CAGR of about 10.8%.

Figure 1: Public expenditure on infrastructure in Hong Kong from 2010 to 2014



Sources: The 2014-15 Hong Kong Government's Budget Speech; Census and Statistics Department, HKSAR

The Ten Major Infrastructure Projects announced in the 2007 Policy Address have been the major growth driver for public expenditure on infrastructure over the past few years. The Ten Major Infrastructure Projects include South Island Line, Lok Ma Chau Loop, Sha Tin to Central Link, West Kowloon Cultural District, Tuen Mun-Chek Lap Kok Link and Tuen Mun Western Bypass, Kai Tak Development, Guangzhou - Shenzhen - Hong Kong Express Rail Link, Hong Kong-Zhuhai-Macao Bridge, North East New Territories New Development Areas and Hong Kong-Shenzhen Western Express Line.

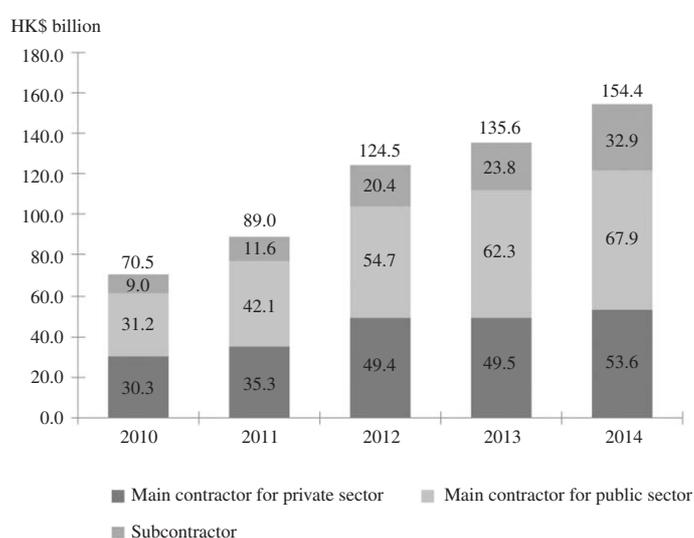
INDUSTRY OVERVIEW

The long-duration of the Ten Major Infrastructure Projects target to enhance Hong Kong's competitiveness through providing job opportunities and promoting economic development, and are particularly favorable to the growth of the construction and foundation industries in Hong Kong.

Gross output value of construction works in Hong Kong

The total gross output value of construction works in Hong Kong performed by main contractors and subcontractors at construction sites from 2010 to 2014 surged from about HK\$70.5 billion to about HK\$154.4 billion at a CAGR of about 21.7%. During the same period, the gross output value of the construction works performed by subcontractors recorded a rapid increment with a CAGR of about 38.3%, from about HK\$9.0 billion in 2010 to about HK\$32.9 billion in 2014.

Figure 2: Gross output value of construction works performed by main contractors and subcontractors at construction sites in Hong Kong from 2010 to 2014



Notes: (1) Data refers to gross value of construction works in nominal terms performed by main contractors and subcontractors at construction sites. (2) Both private sector and public sector are included. The public sector generally refers to government departments, statutory bodies and related organisations in Hong Kong including but not limited to Architectural Service Department, CEDD, Housing Authority and MTR Corporation Limited and parties other than the public sector are regarded as the private sector which are mainly property developers. (3) Total output value of construction works may not equal to the summation of values of main contractor for both public and private sectors and subcontractors due to the rounding-off issues.

Sources: Census and Statistics Department, HKSAR

The gross output value of construction works in public sector performed by main contractors at construction sites rose from about HK\$31.2 billion in 2010 to about HK\$67.9 billion in 2014, representing a CAGR of about 21.5%. During the same period, the gross output value of construction works in private sector performed by main contractors at construction sites also experienced growth, from about HK\$30.3 billion in 2010 to about HK\$53.6 billion in 2014, at a CAGR of about 15.3%.

From 2015 to 2019, the total gross output value of construction works performed by main contractors and subcontractors at construction sites in Hong Kong is expected to grow from about HK\$194.6 billion to about HK\$486.5 billion, at a CAGR of about 25.7%. The expected fast growth is attributed to the Hong Kong government's determination to increase affordable public housing. It is expected that from 2014 to 2018, the Housing Authority will increase its production of public rental housing from about 9,900 units to about 16,500 units, at a CAGR of about 13.6%.

INDUSTRY OVERVIEW

OVERVIEW OF FOUNDATION INDUSTRY IN HONG KONG

The growth of the foundation industry and that of the construction industry are positively related, considering that foundation works such as drilling and piling are performed once a construction project starts.

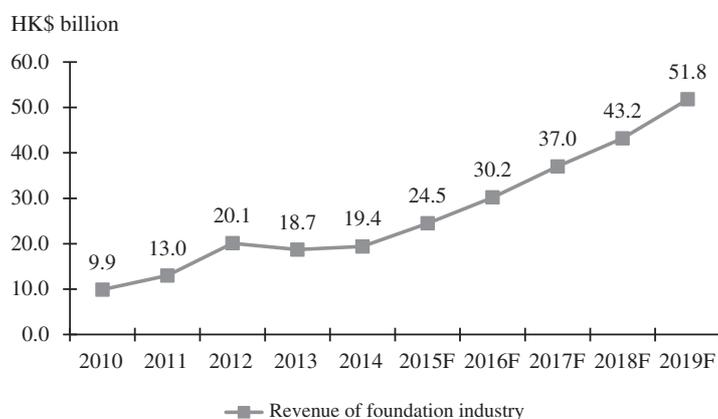
Licence and qualifications for foundation works companies in Hong Kong

To be qualified for private foundation works, foundation work contractors in Hong Kong are required to be registered on the list of the Buildings Department, and on the list of the Development Bureau if they want to be qualified for public foundation works. To be qualified to perform foundation works from the Housing Authority, they are required to obtain licenses from the Housing Authority.

As at the Latest Practicable Date, there were about 136 contractors registered under the Buildings Department as specialist contractors (foundation works category), and about 40 contractors registered under the Development Bureau as specialist contractors for public works under the land piling category. Out of these contractors registered under the Development Bureau, 9 of them were registered under Group I in the land piling category while 37 were registered under Group II in the land piling category. Contractors registered under Group I may undertake contracts/subcontracts up to HK\$3.4 million while contractors registered under Group II may undertake contracts/subcontracts of an unlimited value. Furthermore, there were 10 registered contractors in the large diameter bored piling category and 9 registered contractors in the percussive piling category of the Housing Authority, respectively. In 2014, these foundation contractors contributed a revenue of approximately HK\$19.4 billion to the foundation industry in Hong Kong.

Revenue of the foundation industry in Hong Kong

Figure 3: Revenue of foundation industry in Hong Kong from 2010 to 2019



Notes:

- (1) Data refers to gross output value of piling and related foundation works in nominal terms performed by main contractors and subcontractors at construction sites.
- (2) Data for 2010 to 2014 for main contractors was obtained from Census and Statistics Department, HKSAR, while data for 2010 to 2014 for subcontractors was estimated by Ipsos. Data for 2015F to 2019F was estimated by Ipsos.

Sources: Census and Statistics Department, HKSAR; Ipsos Report

The revenue of the foundation industry in Hong Kong grew from about HK\$9.9 billion in 2010 to about HK\$19.4 billion in 2014, at a CAGR of about 18.3%. Such growth was mostly attributed to the Ten Major Infrastructure Projects. Although the revenue of Hong Kong's foundation industry slightly dropped in 2013, as the foundation works of some of these infrastructure projects, such as the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, got completed in early 2013, the growth resumed in 2014 as new infrastructure projects began.

INDUSTRY OVERVIEW

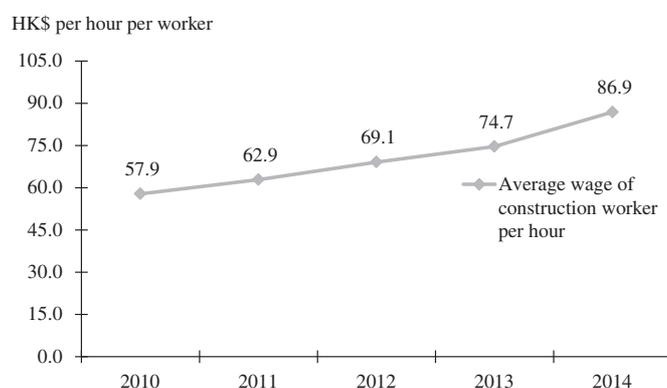
The revenue of the foundation industry is expected to increase from about HK\$24.5 billion in 2015 to about HK\$51.8 billion in 2019, at a CAGR of about 20.6%. Such growth is projected because of the expected increase in the demand for residential and commercial buildings as well as public infrastructure projects, including railway network expansion, Public Housing Development Program and the Ten Major Infrastructure Projects. As there is a growing population, it is expected that the government will continue to work on increasing affordable housing supply, thus increasing the demand for foundation works. According to the 2015 Policy Address, it is expected that the private sector will produce about 14,600 flats per year from 2015 to 2019, up by about 28.1% as compared with about 11,400 flats per year from 2010 to 2014. According to the Housing Authority, the total number of public rental housing units completed in the period of 2015/16 to 2019/20 will increase to about 76,000, up by about 22.6% as compared to 62,000 over the period of 2010/11 to 2014/15. In addition, given growing number of newly registered companies in Hong Kong, from about 139,530 units in 2010 to about 167,280 units in 2014, the demand for commercial buildings is also expected to remain high. The continual demand for office space is therefore expected to raise the demand for foundation works. Furthermore, there are five railway projects currently at different stages of implementation and are expected to be completed between 2015 and 2021, including the West Island Line, the South Island Line (East), the Kwun Tong Line Extension, the Guangzhou-Shenzhen-Hong Kong Express Rail Link (Hong Kong Section) and the Shatin to Central Link. Apart from the five abovementioned railway projects in progress, there are several railway projects planned to commence in 2018 and are expected to be completed between 2023 and 2031, including Northern Link and Kwu Tung Station, Hung Shui Kiu Station, Tung Chung West Extension, Tuen Mun South Extension, East Kowloon Line, South Island Line (West), and North Island Line. The expected completion of the Ten Major Infrastructure Projects ranges from 2015 to 2021.

Cost of foundation works

Labour costs and costs of materials including steel reinforcements, concrete blocks and diesel fuel are the major cost components for foundation works in Hong Kong.

Price trend of construction worker wages in Hong Kong

Figure 4: Price trend of construction worker wages in Hong Kong from 2010 to 2014



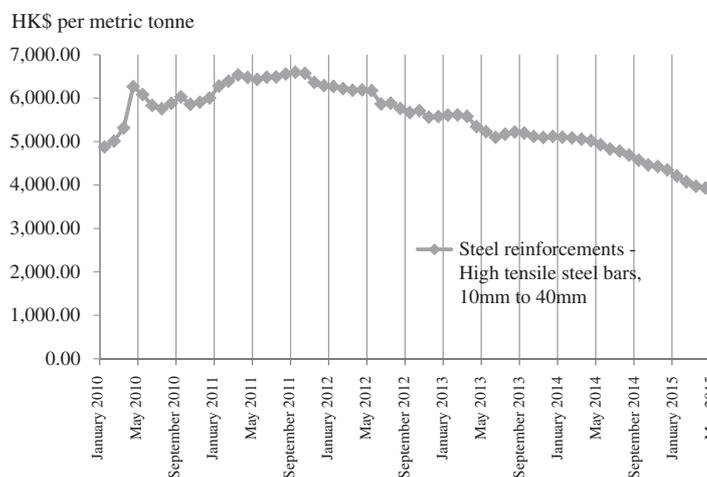
Sources: Census and Statistics Department, HKSAR

From 2010 to 2014, the average hourly wage of construction worker in Hong Kong increased from approximately HK\$57.9 to approximately HK\$86.9, at a CAGR of about 10.7%. Due to the ongoing demand for construction works and the shortage of construction workers, the average hourly wage of construction worker in Hong Kong is expected to increase substantially in the next few years. As the construction workforce continues to age, the problem of labour shortage is exacerbated, given that old and skilled construction workers would leave the industry as they retire, while insufficient young people are interested in joining the construction industry. The proportion of construction workers aged above 50 increased from about 36.6% in 2009 to about 44.4% in 2014. With the insufficient labour supply, the probability of project delay in the construction industry therefore increases, threatening the development of the foundation industry in Hong Kong.

INDUSTRY OVERVIEW

Price trend of steel reinforcements in Hong Kong

Figure 5: Price trend of steel reinforcements in Hong Kong from January 2010 to May 2015

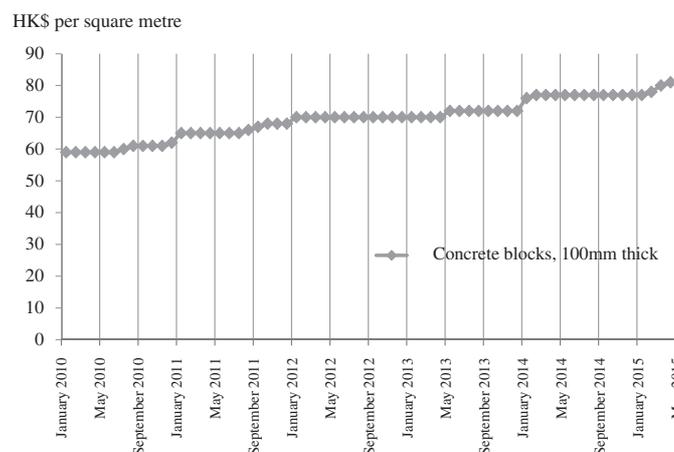


Sources: Census and Statistics Department, HKSAR

From 2010 to 2014, the average wholesale price of steel reinforcements decreased from an average of about HK\$5,734 per metric tonne to an average of about HK\$4,775 per metric tonne respectively, at a CAGR of about negative 4.5%. In May 2015, the average wholesale price of steel reinforcements decreased to about HK\$3,900 per metric tonne. The average wholesale price of steel reinforcements in Hong Kong was at its highest in September 2011, at about HK\$6,595 per metric tonne and was mainly driven by the strong demand for construction works in Hong Kong. However, the average wholesale price of steel reinforcements in Hong Kong decreased by about 34.1% from September 2011 to December 2014. Such drop was contributed by the worsening European economy and China's monetary tightening policies, as they brought difficulty in financing among the downstream industries and hence the decrease in demand for steel reinforcements.

Price trend of concrete blocks in Hong Kong

Figure 6: Price trend of concrete blocks in Hong Kong from January 2010 to May 2015



Sources: Census and Statistics Department, HKSAR

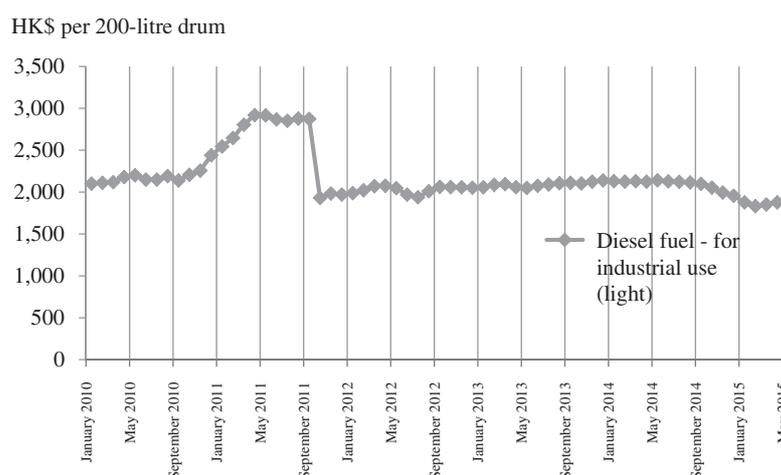
INDUSTRY OVERVIEW

From 2010 to 2014, the average wholesale price of concrete blocks in Hong Kong stably increased from an average of about HK\$60.0 per square metre to an average of about HK\$76.9 per square metre, at a CAGR of about 6.4%. The price growth of concrete blocks has been growing stably. In May 2015, the average wholesale price of concrete blocks increased to about HK\$81.0 per square metre.

The price of concrete blocks is relatively high than that of close substitutes such as hollow blocks, and are therefore usually used to build commercial and industrial buildings rather than residential buildings. Therefore, as emerging economies increased their economic activities and constructed more commercial buildings, the global average wholesale price of concrete blocks had increased steadily even in the aftermath of the 2008 global financial crisis. Similarly, as Hong Kong is expected to increase its demand for commercial buildings, the average wholesale price of concrete blocks in Hong Kong is also expected to continue to increase. The price of concrete blocks increased from 2010 to 2014 as more developers have preferred to use concrete blocks, which can be used to build durable and energy efficient buildings quickly and cheaply.

Price trend of diesel fuel in Hong Kong

Figure 7: Price trend of diesel fuel in Hong Kong from January 2010 to May 2015



Sources: Census and Statistics Department, HKSAR

From 2010 to 2014, the average wholesale price of diesel fuel in Hong Kong decreased slightly from an average of about HK\$2,187.6 per 200-litre drum to an average of about HK\$2,094.0 per 200-litre drum, at a CAGR of about negative 1.1%. In May 2015, the average wholesale price of diesel fuel decreased to about HK\$1,936.0 per 200-litre drum.

In 2011, Hong Kong's economy rebounded and observed an increased demand for construction works as the global economy slowly recovered. As a result, the average wholesale price of diesel fuel in Hong Kong experienced a sharp growth during the period. However, mainly due to the worsening European debt crisis, the average wholesale price of diesel fuel in Hong Kong decreased sharply from September 2011 to October 2011, from about HK\$2,875 per 200-litre drum to about HK\$1,931 per 200-litre drum. As Libya worked to restore its diesel fuel output to pre-war levels, the average wholesale price of diesel fuel in Hong Kong has become more stable since 2012.

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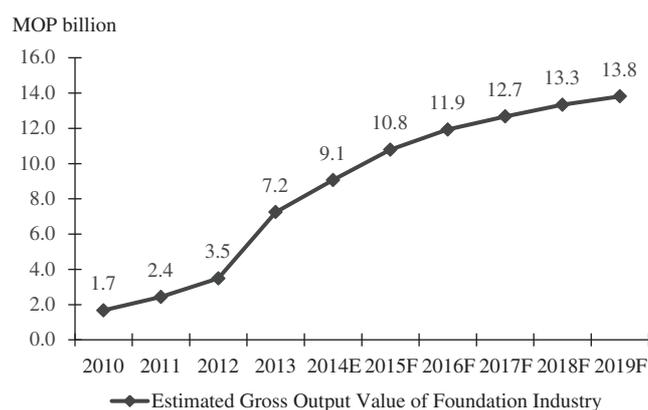
OVERVIEW OF CONSTRUCTION INDUSTRY AND FOUNDATION INDUSTRY IN MACAU

The construction industry in Macau is related to the development of the gaming and hospitality industry in Macau as well as Macau Government's investment in infrastructure to accommodate the growth in the gaming and hospitality industry as well as growing tourism. The liberalisation of the gaming industry in Macau in 1999 prompted the development of multiple luxury resorts and casinos from 2002 to 2009. These developments generated strong growth in the construction industry in Macau from 2002 to 2009. During the same period a number of luxury apartments were built to cater to high-end property buyers and investors.

Apart from the private sector, the Macau Government has been raising its investment in infrastructure since 2009 to cater for the dramatic development in the private sector, in order to improve Macau's competitiveness. Projects from the Macau Government contributed about 41.5% of the total gross output value of public construction works in 2013.

Estimated gross output value of foundation industry in Macau

Figure 8: Estimated gross output value of foundation industry in Macau from 2010 to 2019



Notes:

- (1) E denotes estimation.
- (2) Data for 2010 to 2013 was estimated by Ipsos based on the data obtained from Census and Statistics Department, Macau SAR. Data for 2014E to 2019F was estimated by Ipsos.

Sources: Census and Statistics Department, Macau SAR; Ipsos Report

The estimated gross output value of foundation industry in Macau increased at a rapid pace, from about MOP1.7 billion in 2010 to about MOP9.1 billion in 2014, representing a CAGR of about 52.1%. The substantial increase during such period was attributed to the large-scale construction projects, such as the expansion of high-speed railway linking the mainland to Macau, and the construction of new private houses, hotels and gaming facilities. The gross output value of foundation industry therefore surged considerably since 2010.

The estimated gross output value of foundation industry in Macau is projected to rise from about MOP10.8 billion in 2015 to about MOP13.8 billion in 2019, with a CAGR of about 6.3%. The Macau 2014 Policy Address states that the Macau Government has begun to execute the plan called

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“post-19,000 units”, involving the construction of transportation, social facilities etc., which is expected to drive the demand for foundation work from 2015 to 2019. Several large-scale construction projects such as the continual launch of public housing and the land reclamation work are also expected to bolster the foundation industry in Macau from 2015 to 2019.

COMPETITIVE LANDSCAPE OF THE FOUNDATION INDUSTRY IN HONG KONG

Factors affecting competition

Relationships with working parties

Being able to maintain good relationships with customers, contractors and raw material suppliers allows the foundation contractors to stay competitive in Hong Kong’s foundation industry. Those foundation contractors with previously established business relationships would have more chance of winning construction contracts than their competitors. Furthermore, main contractors of construction projects tend to outsource foundation works to those foundation contractors with proven good track record. In addition, having good relationships with raw material suppliers allow foundation contractors to enjoy more flexibility in resource allocation and project execution.

Capability of meeting project requirements and timeline

Customers and main contractors prefer to work with foundation contractors who are able to meet project requirements and timeline. This capability is one of the important factors of competition in this industry, given that it means the foundation contractors possess a higher capability in sourcing and allocating all related resources such as raw materials, specialised foundation machineries and workers. As a result, these foundation contractors have a higher chance to win construction projects.

Proven track records

Foundation contractors with proven track records and safety records have usually established a good industry reputation. In general, if a foundation contractor can complete projects on time, perform foundation works of high quality and meet safety and environmental requirements, it would be seen as holding proven track records. In addition, foundation contractors with proven safety record are more competitive, as lengthy and expensive lawsuits brought by injuries and casualties are business risks that all working parties want to avoid. Foundation contractors with proven safety records give customers and main contractors the impression that there is a lower chance of facing lawsuits.

Competitive project pricing

Competitive project pricing is one of the major competitive factors, as it helps a foundation contractor attract more customers. Furthermore, competitive pricing strategies differentiate a foundation contractor from its competitors, enhancing the market position of the contractor. Therefore, foundation contractors which can offer high quality foundation works at competitive project fees are in general more competitive than their counterparts.

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Top five foundation works companies in Hong Kong

According to the Ipsos Report, the top five piling construction companies in Hong Kong accounted for approximately 32.0%, 40.8% and 48.7% of the total industry revenue in 2012, 2013 and 2014, respectively. Our Group contributed approximately HK\$934.0 million, HK\$1,060.0 million and HK\$1,233.4 million of the revenue or about 4.6%, 5.7% and 6.3% of the market share for the year ended 31 December 2012, 2013 and 2014, respectively, and ranked the fourth in the piling construction industry in Hong Kong throughout such period.

Rank	Name of Company	Headquarter Location	Revenue (HK\$ million)	Share of Total Industry Revenue (%)
<u>2012</u>				
1	Tysan Foundation Limited	Hong Kong	2,219	11.0
2	Gammon Construction Limited	Hong Kong	1,391	6.9
3	China State Construction International Holdings Limited	Hong Kong	1,034	5.2
4	Our Group	Hong Kong	934	4.6
5	Chun Wo Development Holdings Limited	Hong Kong	867	4.3
	Others		<u>13,672</u>	<u>68.0</u>
	Total		<u><u>20,117</u></u>	<u><u>100.0</u></u>
<u>2013</u>				
1	Tysan Foundation Limited	Hong Kong	2,284	12.2
2	China State Construction International Holdings Limited	Hong Kong	1,855	9.9
3	Gammon Construction Limited	Hong Kong	1,534	8.2
4	Our Group	Hong Kong	1,060	5.7
5	Vibro Construction Company Limited	Hong Kong	900	4.8
	Others		<u>11,022</u>	<u>59.2</u>
	Total		<u><u>18,655</u></u>	<u><u>100.0</u></u>
<u>2014</u>				
1	Tysan Foundation Limited	Hong Kong	3,192	16.4
2	China State Construction International Holdings Limited	Hong Kong	2,289	11.8
3	Gammon Construction Limited	Hong Kong	1,654	8.5
4	Our Group	Hong Kong	1,233	6.3
5	Sunley Holdings Limited	Hong Kong	1,110	5.7
	Others		<u>9,968</u>	<u>51.3</u>
	Total		<u><u>19,446</u></u>	<u><u>100.0</u></u>

Notes:

- (1) The total revenue in 2012, 2013 and 2014 refers to the revenue generated from the whole foundation industry in Hong Kong for the period from January 2012 to December 2012, January 2013 to December 2013 and January 2014 to December 2014, respectively.
- (2) Revenue refers to the revenue generated from piling and related foundation works in Hong Kong.

Sources: Ipsos Report

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According to the Ipsos Report, the top five contractors in drilling and site investigation industry in Hong Kong accounted for approximately 49.8% of the total industry revenue in 2014. Our Group contributed approximately HK\$148 million of the revenue or about 7.2% of the market share for the year ended 31 December 2014 and ranked fourth in the drilling and site investigation industry in Hong Kong in 2014.

Rank	Name of Company	Headquarter Location	Revenue in 2014 (HK\$ million)	Share of Total Industry Revenue (%)
1	Tysan Foundation Limited	Hong Kong	338	16.4%
2	China State Construction International Holdings Limited	Hong Kong	242	11.8%
3	Gammon Construction Limited	Hong Kong	175	8.5%
4	Our Group	Hong Kong	148	7.2%
5	Sunley Holdings Limited	Hong Kong	122	5.9%
	Others		1,031	50.2%
	Total		2,056	100.0%

Notes:

- (1) The total revenue in 2014 refers to the revenue generated from the whole drilling and site investigation industry in Hong Kong from January 2014 to December 2014.
- (2) The total revenue of the above companies cover all kinds of drilling and site investigation work they engaged in.
- (3) Sunley Holdings Limited has changed its English name from Sunley Holdings Limited to CNQC International Holdings Limited, which became effective as of 13 August 2014.

Sources: Ipsos interviews and analysis

Entry barriers in the foundation industry in Hong Kong

Industry reputation

Foundation contractors with better industry reputation are seen as more capable of delivering quality works and completing projects on time, and therefore have a higher chance in winning contracts. However, since new entrants have not yet established industry reputation, it is hard for them to attract business and compete with experienced foundation contractors. Hence, established industry reputation is one of the entry barriers in the industry.

Significant amount of initial capital required

To purchase specialised machineries and fulfil the requirement for registered capital, foundation contractors in Hong Kong require a significant amount of initial capital. By owning specialised foundation machinery such as crawler cranes, air compressors and hydraulic crawler drills, foundation contractors enjoy more flexibility in resource allocation to satisfy the needs of different projects. However, such flexibility requires a large amount of initial capital, which would be used to invest in specialised machinery. Moreover, in order to register under different government departments, foundation contractors in Hong Kong are required to fulfil different capital requirements. For instance, the minimum working capital for a foundation contractor to be registered on the list of Land Piling (Group II) of the Development Bureau is HK\$8.6 million. To conclude, the significant amount of initial capital required is an entry barrier in the foundation industry in Hong Kong.

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Industry experience

Foundation contractors' experience and job references are one of the major assessments of their capability. Experienced contractors in general are more likely to be awarded foundation contracts from customers and main contractors, who tend to bestow trust on them. In contrast, new entrants to the industry are usually considered as inexperienced, thus are usually less competitive than experienced competitors. Furthermore, in order to be eligible for public foundation works, new entrants are required to obtain various technical qualifications, which may be difficult given their lack of experience. Therefore, practical industry experience is another barrier to enter the industry.

Future opportunities to the foundation industry in Hong Kong

On-going public infrastructure projects

Since 2007, the commencement of the Ten Major Infrastructure Projects initiated by the Hong Kong government has given the foundation industry numerous opportunities to grow. Given that it is expected that the Hong Kong government will continue to invest in infrastructure projects, the growth of the foundation industry is expected to remain. According to the 2015-16 Budget Speech, the Hong Kong government estimates to spend approximately HK\$76.3 billion on public infrastructure during the 2015-16 fiscal year. It is therefore anticipated that these up-coming infrastructure projects will continue to provide opportunities to the foundation industry in Hong Kong.

Increasing demand for residential properties

The population in Hong Kong is expected to keep increasing and reach approximately 8.6 million in 2036. Therefore, it is expected that the demand for residential properties will continue to grow in the near future. In response to the increasing demand for residential properties, more renovation and construction projects of residential buildings are expected. The increasing demand for residential properties and hence for foundation works are expected to continue, providing growth opportunities to the foundation industry.

Threats to foundation industry in Hong Kong

Labour shortage

The issue of ageing workforce is intensified nowadays, with the proportion of construction workers aged above 50 increased from about 36.6% to about 44.4% from 2009 to 2014. As the workforce continues to age and retire while insufficient new workers join the construction workforce, the foundation industry in Hong Kong is facing a problem of labour shortage.

The labour shortage issue in the Hong Kong construction industry is further exacerbated by the commencement of many large scale construction projects in Macau and China as construction workers in Hong Kong have been attracted by higher salary offered in Macau and China. Due to the insufficient labour supply, the risk of project delay in the construction industry in Hong Kong therefore increases, threatening the development of the foundation industry.

Increasing operation costs

Increasing costs of labour and raw materials have contributed to the increasing costs of foundation projects in Hong Kong. The average wage rate of construction workers in Hong Kong increased from approximately HK\$57.9 per hour in 2010 to approximately HK\$86.9 per hour in 2014, at a CAGR of approximately 10.7%. In order to retain experienced construction workers who may be attracted by higher salaries in Macau and China, foundation contractors in Hong Kong have raised the wage rate for construction workers. As a result, labour costs have increased, lowering the profit margins of foundation projects in Hong Kong and threatening the growth of the industry.

LAWS AND REGULATIONS

HONG KONG LAWS

This section sets out a summary of the material laws and regulations applicable to our Group's business in Hong Kong.

A. Laws and regulations in relation to the contractor licensing regime

General building contractor/specialist contractor

Under the current contractor registration system in Hong Kong, a contractor carrying out public or private building works and street works must be registered with the Buildings Department as a (i) general building contractor, (ii) specialist contractor or (iii) minor works contractor. A building owner is required to appoint contractors from the appropriate register corresponding to the category of building works to be carried out.

Registered general building contractors may carry out general building works and street works which do not include any specialised works designated for registered specialist contractors while registered specialist contractors may only carry out specialised works in their corresponding categories in the sub-registers in which they have been entered. Section 8A(2) of the Buildings Ordinance empowers the Building Authority to designate, by notice in the Gazette, categories of building works as specialised works that are required to be carried out by registered specialist contractors. Currently, there are five categories of works designated as specialised works, namely demolition works, foundation works, site formation works, ventilation works and ground investigation field works.

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

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

In considering each application for registration as registered general building contractor or registered specialist contractor, the Building Authority is to have regard to the qualifications, competence and experience of the following key personnel of the applicant:

- a. a minimum of one person appointed by the applicant to act for the applicant for the purposes of the Buildings Ordinance, that is the '**Authorised Signatory(ies)**';

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

Set out below are the Technical Directors and the Authorised Signatories of our Group:

<u>Qualification</u>	<u>Technical Director(s)</u>	<u>Authorised Signatory(ies)</u>
Kin Wing Engineering/Kin Wing Foundations/DrilTech Ground		
Registered specialist contractor in foundation works category	Mr. TANG Shui Yung Mr. CHAN Ka Wah Mr. WAI Hon Man	Mr. SO Hin Kwong Mr. TANG Shui Yung Mr. CHAN Ka Wah Mr. TANG Man Fu Mr. WAI Hon Man
Kin Wing Foundations		
Registered specialist contractor in site formation category	Mr. TANG Shui Yung	Mr. TANG Shui Yung
DrilTech Ground/DrilTech Geotechnical		
Registered specialist contractor in ground investigation field works category	Mr. CHAN Ka Wah Mr. LAM Hoi Fan	Mr. LUN Ho Pui Clement Mr. CHU Siu Wah

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

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

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, each of Kin Wing Engineering, Kin Wing Foundations, DrilTech Ground and DrilTech Geotechnical has met the criteria and requirements to remain as the registered specialist contractor for its relevant category that are applicable to each of them.

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

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

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

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

Private sector foundation, site formation and ground investigation field projects

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

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

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registered specialist contractor under the categories of foundation works, site formation works and ground investigation field works (as the case may be) to undertake the relevant works, irrespective of whether such works form the whole or part of the contract works, the main contractor itself would not be required to be a registered specialist contractor under the relevant category. Subcontractors undertaking foundation, site formation and ground investigation field works are required to be registered specialist contractors under the categories of foundation works, site formation works and ground investigation field works (as the case may be).

For any foundation, site formation and ground investigation field works where an entity is involved as a subcontractor, if there is a registered specialist contractor who is registered with the Buildings Department under the appropriate category to supervise the works and liaise with the Buildings Authority, the entity itself is not required to be such registered specialist contractor or to obtain any requisite licenses, permits and approval for its operation and business except the business registration.

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

Public sector foundation projects

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

Set out below are the further requirements for a registered specialist contractor under the category of foundation works to undertake foundation work projects of the Development Bureau and the Housing Authority.

Development Bureau projects

The public work projects undertaken by Architectural Services Department, Buildings Department, CEDD, Drainage Services Department, Electrical and Mechanical Services Department, Lands Department, Land Registry, Planning Department and Water Supplies Department fall under the administration of the Development Bureau. If a contractor wishes to carry out public land piling works of the Development Bureau, it must be included in either “Group I” or “Group II” of the Approved Specialist List which is administered by the WBDB under the category of “Land Piling” in respect of the relevant piling system. The scope of work in this category covers design, supply and installation of registered piling systems on land. Approved Specialist List (Group I) can undertake foundation contracts/subcontracts up to HK\$3.4 million while Approved Specialist List (Group II) contractors can undertake foundation contracts/subcontracts of unlimited value.

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Contractors are required to meet the financial, technical, management, personal and safety criteria applicable to their appropriate category and group for admission and retention on the approved lists and for the award of public works contracts. To remain on the Approved Specialist List, a contractor should generally possess at least a positive capital value. In addition, a contractor is required to maintain certain minimum levels of employed and working capital and annual turnover applicable to the appropriate category and group. In granting a registration/approval to a foundation contractor, WBDB takes into consideration, among others, (a) the contractor's financial strength; (b) the contractor's technical experience and management capability; and (c) the machinery and equipment maintained by the contractor.

For admitting to and remaining as an approved contractor on the Approved Specialist List (Group II — Land piling category), our Group is required to meet the minimum financial criteria and other requirements as follows:

a. Minimum employed capital

HK\$9.3 million plus a minimum annual turnover of HK\$50 million in each of the immediate past three years.

b. Minimum working capital

HK\$8.6 million or 10% of the combined annual value of uncompleted works on outstanding contracts both in the public and private sectors, whichever is higher.

c. Minimum technical and management criteria/other requirements

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

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(v) Job experience: have experiences as main contractor and at least three medium/large size local projects (of value above HK\$3 million each) were completed with good references.

(vi) Plant and equipment: appropriate equipment for each system (at least one set for each system).

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

(vii) Office/workshop facilities: local office required and yard facilities available.

(viii) Others: Piling system to be registered: (1) method statement; (2) typical calculations; (3) acceptable references; and (4) satisfactory demonstration on site.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, Kin Wing Engineering has met the criteria and requirements to remain on the Approved Specialist List that are applicable to Kin Wing Engineering.

Pursuant to a technical circular issued by WBDB on 14 June 2004, all capital works and maintenance works contracts of the government with tenders to be invited on or after 15 August 2004 shall require the contractor to employ all subcontractors (whether nominated, specialist or domestic) that are registered from the respective trades available under the Primary Register of the Voluntary Subcontractor Registration Scheme introduced by the Provisional Construction Industry Coordination 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.

Housing Authority projects

In addition to being registered as a specialist contractor — foundation category under the Buildings Ordinance, it is a prerequisite that a contractor is included in the “Housing Authority List of Piling Contractors” (the “**Housing Authority List of Piling Contractors**”) in order to tender for a Housing Authority piling project. The Housing Authority List of Piling Contractors is divided into two categories:

- a. Large diameter bored piling category; and
- b. Percussive piling category.

A contractor may be included in one or both of the above categories and is eligible to tender for contracts of unlimited values using the pile type belonging to that category provided such pile type is an acceptable pile type for the contracts. Contractors of each of the above categories are also eligible to tender for contracts of unlimited values using a pile type not belonging to percussive pile category and large diameter bored pile category provided such pile type is an acceptable pile type for the contracts.

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A contractor shall possess ISO 9001, ISO 14001, ISO 5001 and OHSAS 18001 certificates with respect to its own category. The minimum scope of certification for percussive piling category is to carry out the construction of percussive piles, while the minimum scope of certification for large diameter bored piling category is to carry out the construction of large diameter bored piles. A contractor shall also meet the minimum requirements set out by the Housing Authority regarding, among others, (i) work experience; (ii) financial capability; (iii) number, qualifications and experience of full-time staff to be employed for admission/retention on the Housing Authority List of Piling Contractors; and (iv) plant and machinery.

Annual renewal of the status as an approved contractor by the Housing Authority is subject to satisfactory compliance with the requirements set out in the “Guide to Registration of Works Contractors and Property Management Services Providers” published by the Housing Authority and the payment of a renewal application fee.

Public sector ground investigation field works

Registration with the Buildings Department as a registered specialist contractor under the category of ground investigation field works is one of the minimum requirements for contractors undertaking ground investigation works in the public sector under the Development Bureau and the Housing Authority.

Set out below are the further requirements for a registered specialist contractor under the category of ground investigation field works to undertake ground investigation field work projects of the Development Bureau and the Housing Authority.

Development Bureau projects

If a contractor wishes to carry out ground investigation field works of the Development Bureau, it must be included in either “Group I” or “Group II” of the Approved Specialist List under the category of “Ground Investigation Field Work”. The scope of work in this category covers ground investigation field work for Government projects. Approved Specialist List (Group I) contractors can undertake contracts/subcontracts up to HK\$2.3 million while Approved Specialist List (Group II) contractors can undertake contracts/subcontracts of unlimited value.

Same as the requirements for the Approved Specialist List (Group II — Land piling category) provided above, the contractors are required to meet the financial, technical, management, personal and safety criteria applicable to their appropriate category and group for admission and retention on the approved lists and for the award of public works contracts. For admitting and remaining as an approved contractor on the Approved Specialist List (Group II — Ground investigation field work category), our Group is also required to meet the following requirements as follows:

a. Minimum employed capital

HK\$4.7 million plus a minimum annual turnover of HK\$50 million in each of the immediate past three years.

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b. Minimum working capital

HK\$3.4 million or 15% of the combined annual value of uncompleted works on outstanding contracts both in the public and private sectors, whichever is higher.

c. Minimum technical and management criteria/other requirements

- (i) Possess quality management system certificates issued under the rules of the HKCAS operated by the Hong Kong Accreditation Service, i.e. bearing the HKCAS accreditation mark, and quality management system certificates bearing the accreditation mark of other accreditation bodies which are considered as having an equivalent standard by the Environment, Transport and Works Bureau.
- (ii) Technical staff: must employ sufficient full-time approved personnel who satisfy the requirements given in Annex 15 of the Contractor Management Handbook issued by the Development Bureau on May 2014.
- (iii) Job experience: must be able to provide references to ground investigation works (each of value exceeding HK\$0.5 million) carried out by the applicant for at least 5 projects in Hong Kong in the 3 years preceding the application and receive no adverse reports, on enquiry of CEDD. The performance reports must be prepared by at least 3 different engineering consultants who have supervised the works.
- (iv) Plant and equipment: must own at least ten rigs in Hong Kong capable of drilling at least 40m through soil or rock, and at least two of them shall be capable of drilling vertical or inclined holes up to 150m through soil or rock and must own equipment capable of obtaining soil and rock samples, carrying out in situ tests (including standard penetration test, GCO probing, impression packer, rising, falling and constant head permeability, packer (water adsorption), and vane shear) and installing standpipe piezometers. All equipment should be calibrated and subject to periodic recalibration and maintenance.
- (v) Office/workshop facilities: must possess or set up in Hong Kong a place of business.
- (vi) Others: must (i) have the managerial, professional, technical and other support staff resources to carry out large Government contracts on ground investigation; (ii) have a proper safety management system and an adequate safety plan in accordance with the requirements of Chapter 3 of the Construction Site Safety Manual; (iii) employ on a full-time basis at least one safety officer registered in accordance with the Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulations and one safety supervisor, each with a minimum of 3 years of relevant experience; (iv) demonstrate competence in carrying out drilling, excavation, sampling, testing, recording of information, description of soil and rock and reporting to CEDD standards; and (v) maintain HOKLAS (Hong Kong Laboratory Accreditation Scheme) accreditation for selected tests and procedures of ground investigation when the accreditation for these is available from HOKLAS.

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

Pursuant to a technical circular issued by WBDB on 14 June 2004, all capital works and maintenance works contracts of the government with tenders to be invited on or after 15 August 2004 shall require the contractor to employ all subcontractors (whether nominated, specialist or domestic) that are registered from the respective trades available under the Primary Register of the Voluntary Subcontractor Registration Scheme introduced by the Provisional Construction Industry Coordination 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.

Housing Authority projects

In addition to being registered as a specialist contractor — ground investigation field works category under the Buildings Ordinance, it is a prerequisite that a contractor is included in the “Housing Authority List of Ground Investigation Contractors” (the “**Housing Authority List of Ground Investigation Contractors**”) in order to tender for a Housing Authority ground investigation project.

A contractor shall possess ISO 9001 and ISO 14001:2004 (Environmental Management System Standard) and OHSAS 18001:2007 (Occupational Health and Safety Management Systems Specifications). The scope of certification shall be relevant to ground investigation works. A contractor shall also meet the minimum requirements set out by the Housing Authority regarding, among others, (i) work experience; (ii) financial capability; (iii) number, qualifications and experience of full-time staff to be employed; and (iv) plant and machinery.

Annual renewal of the status as an approved contractor by the Housing Authority is subject to satisfactory compliance with the requirements set out in the “Guide to Registration of Works Contractors and Property Management Services Providers” published by the Housing Authority and the payment of a renewal application fee.

For details of our Group’s major registrations and qualification for our services, please refer to the paragraph headed “Business — Major Qualifications, Certifications, Awards and Recognition — Registrations and qualifications in Hong Kong” in this prospectus.

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

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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 actions against contractors by the Development Bureau and the Housing Authority

The Development Bureau and the Housing Authority 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 workers.

For instance, according to the Technical Circular (Works) No.3/2009 issued by the Development Bureau and the “Guide to Registration of Works Contractors and Property Management Services Providers” issued by the Housing Authority, if a qualified contractor is convicted of a series of safety or environmental offences within a short period of time in a project, or if a fatal construction accident occurs at a construction site for which the contractor is responsible, the relevant authority of 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.

B. 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 a proprietor of an industrial undertaking to ensure, so far as is reasonably practicable, the health and safety at work of all persons employed by it at the industrial undertaking. The duties of a proprietor extend to include:

- providing and maintaining plant and work systems that do not endanger safety or health;

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- making arrangements for ensuring safety and health in connection with the use, handling, storage and transport of articles and substances;
- providing all necessary information, instructions, training and supervision for ensuring safety and health;
- providing and maintaining safe access to and egress from the workplaces; and
- providing and maintaining a safe and healthy working environment.

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

Matters regulated under the subsidiary regulations of the Factories and Industrial Undertakings Ordinance, including the Construction Sites (Safety) Regulations (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 or 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 safety and health protection to employees in workplaces, both industrial and non-industrial.

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

- (a) provision and maintenance of plant and systems of work that are safe and without risks to health;
- (b) making of arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;
- (c) providing all necessary information, instructions, training and supervision for ensuring safety and health;

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- (d) as regards any workplace under the employer's control:
 - (i) maintenance of the workplace in a condition that is safe and without risks to health; and
 - (ii) provision and maintenance of means of access to and egress from the workplace that are safe and without any such risks; and
- (e) provision and maintenance of a working environment for the employees that is safe and without risks to health.

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

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

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

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

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

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

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Pursuant to section 40 of the Employees' Compensation Ordinance, all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). Where a principal contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount no less than HK\$200 million per event to cover its liability and that of its subcontractor(s) under the Employees' Compensation Ordinance and at common law.

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

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

A principal contractor is subject to the provisions on subcontractor's employees' wages in the Employment Ordinance. Under section 43C of the Employment Ordinance, a principal contractor or a principal contractor and every superior subcontractor is/are jointly and severally liable to pay any wages that become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance. The liability of a principal contractor and superior subcontractor (where applicable) is limited (a) to the wages of an employee whose employment relates wholly to the work which the principal contractor has contracted to perform and whose place of employment is wholly on the site of the building works; and (b) to the wages due to such an employee for two months (such months shall be the first two months of the period in respect of which the wages are due).

An employee who has outstanding wage payments from subcontractor must serve a notice in writing on the principal contractor within 60 days after the wage due date. A principal contractor and superior subcontractor (where applicable) shall not be liable to pay any wages to the employee of the subcontractor if that employee fails to serve a notice on the principal contractor.

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

Pursuant to section 43F of the Employment Ordinance, if a principal contractor or superior subcontractor pays to an employee any wages under section 43C of Employment Ordinance, the wages so paid shall be a debt due by the employer of that employee to the principal contractor or superior subcontractor, as the case may be. The principal contractor or superior subcontractor may either (1) claim contribution from every superior subcontractor to the employee's employer or from the principal contractor and every other such superior subcontractor as the case may be, or (2) deduct by way of setoff the amount paid by him from any sum due or may become due to the subcontractor in respect of the work that he has subcontracted.

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

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

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

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

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

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

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

The Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate (currently set at HK\$32.5 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 this Ordinance is void.

Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong)

Employers are required to enrol their regular employees (except for certain exempt persons) aged between 18 but under 65 years of age and employed for 60 days or more in a mandatory provident fund (“MPF”) scheme within the first 60 days of employment.

For both employees and employers, it is mandatory to make regular contributions into a MPF scheme. For an employee, subject to the maximum and minimum levels of income (HK\$25,000 and HK\$7,100 per month, respectively before 1 June 2014 or HK\$30,000 and HK\$7,100 per month, respectively on or after 1 June 2014), an employer will deduct 5% of the relevant income on behalf of an employee as mandatory contributions to a registered MPF scheme with a ceiling of HK\$1,250 before 1 June 2014 or HK\$1,500 on or after 1 June 2014. Employer will also be required to contribute

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an amount equivalent to 5% of an employee's relevant income to the MPF scheme, subject only to the maximum level of income (HK\$25,000 per month before 1 June 2014 or HK\$30,000 per month on or after 1 June 2014).

Industry schemes were established under the MPF system for employers in the construction and catering industries in view of the high labour mobility in these two industries, and the fact that most employees in these industries are "casual employees" whose employment is on a day-to-day basis or for a fixed period of less than 60 days.

For the purpose of the Industry schemes, the construction industry covers the following eight major categories:

- foundation and associated works;
- civil engineering and associated works;
- demolition and structural alteration works;
- refurbishment and maintenance works;
- general building construction works;
- fire services, mechanical, electrical and associated works;
- gas, plumbing, drainage and associated works; and
- interior fitting-out works.

The Mandatory Provident Fund Schemes Ordinance does not stipulate that employers in these two industries must join the industry schemes. The industry schemes provide convenience to the employers and employees in the construction and catering industries. Casual employees do not have to switch schemes when they change jobs within the same industry, so long as their previous and new employers are registered with the same industry scheme. This is convenient for scheme members to save administrative costs.

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

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

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, site formation, piling and extraction from the earth of any matter whatsoever. 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 building or road construction work.

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

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

The Noise Control Ordinance regulates, among others, the noise from construction, industrial and commercial activities. A contractor shall comply with the Noise Control Ordinance and its subsidiary regulations in carrying out construction works. For construction activities that are to be carried out during the restricted hours and for percussive piling during the daytime, not being a general holiday, construction noise permits are required from the Director of Environmental Protection 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 produce noises and the use of powered mechanical equipment (other than percussive piling) in populated areas are not allowed between 7: 00 p.m. and 7: 00 a.m. or at any time on general holidays, unless prior approval has been granted by the Director of Environmental Protection Department through the construction noise permit system. The use of certain equipment is also subject to restrictions. Hand-held percussive breakers and

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air compressors must comply with noise emissions standards and be issued with a noise emission label from the Director of Environmental Protection. Percussive pile driving is allowed on weekdays only with prior approval, in the form of a construction noise permit from the Director of Environmental Protection.

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

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

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

The Waste Disposal Ordinance controls the production, storage, collection, 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 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 to, within 21 days after being awarded the contract, establish a billing account in respect of that particular contract with the Director of Environmental Protection to pay any disposal charges for the construction waste generated from the construction work under that contract.

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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, labelled 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 Environmental Protection. A person who uses, or permits to be used, any land or premises for the disposal without such a licence commits an offence and is liable to (i) a fine of HK\$200,000 and to imprisonment for six months for the first offence; (ii) to a fine of HK\$500,000 and to imprisonment for six months for a second or subsequent offence; and (iii) 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.

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 Environmental Protection.

Under the Dumping at Sea Ordinance, a person who except under and in accordance with a permit, does anything or causes or allows another person to do anything for which a permit is needed commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for 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 if the court is satisfied that the operation has continued.

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

The purpose of 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.

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

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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.

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

Pursuant to Section 127 of the Public Health and Municipal Services Ordinance, where a nuisance notice is served on the person by reason of whose act, default or sufferance the nuisance arose or continues, or of that person cannot be found on the occupier or owner of the premises or vessel on which the nuisance exists, then if either the nuisance to which the notice relates arose by reason of the wilful act or default of that person; or that person fails to comply with any of the requirements of the notice within the period specified therein, that person shall be guilty of an offence.

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

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

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

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

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

MACAU LAWS

This section sets out a summary of the material laws and regulations applicable to our Group's business in Macau.

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

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

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General Construction Works Regulation

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

Fire Safety Regulation

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

Foundation Works Regulation

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

Under the Foundation Works Regulation, the following basic rules are of particular importance:

- a) the necessary data for the implementation of the project must be collected, recorded and interpreted appropriately;
- b) the foundation works must be designed by professionals with appropriate qualifications and experience;
- c) there must be continuity and adequate communication between those involved in the data collection, the project and the construction;
- d) there must be suitable supervision and quality control in factories, shipyards and construction sites;
- e) the construction must be performed in accordance with the relevant specifications, and by personnel with appropriate knowledge and experience;

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- f) construction materials must be used as recommended in the Regulation or other normative documents and relevant specifications;
- g) the work must be adequately maintained;
- h) the work must be used for the purpose defined in the project.

Safety and Action in Building Structure and Bridges Regulation

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

B. Laws of regulations in relation to labour, health and safety

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

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

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

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

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

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

C. Laws and regulations in relation to environmental protection

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

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

Concerning noise pollution in particular, Law no. 8/2014 establishes rules on prevention and control of environmental noise pollution and sets noise limits. Pursuant to this Law, the use of pile-driving hammers is not allowed on Sundays and on holidays, as well as between 7 p.m. and 9 a.m. on weekdays. Moreover, the use of mechanical equipment, fixed or mobile, in construction works less than 200 meters from residential buildings and hospitals is prohibited on Sundays and on holidays, as well as between 8 p.m. and 8 a.m. on weekdays.

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

D. Laws and regulations in relation to requirements for constructor registration in Macau

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

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

a. *Registration Procedure*

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

- (i) A written request for the registration of a constructor must be submitted to the Director of the DSSOPT, accompanied by a list of the technical means at the constructor's disposal, as well as by a list of the construction works previously carried out, and also a declaration made by a technician registered with the DSSOPT, who declares to be the responsible technician of the constructor. The qualifications of the constructor shall be assessed based on the documents submitted to the DSSOPT.

- (ii) In case the registration request is accepted, a registration fee, currently in the amount of MOP6,600 (six thousand and six hundred Patacas), must be paid within ten days of the date of the notification of acceptance of the registration.

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

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

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

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

b. *Constructor's requirement*

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

c. *Employee's requirement*

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

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

d. *Job experience of constructor*

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

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OVERVIEW

Our Company was incorporated in Bermuda with limited liability on 29 May 2015 as an exempted company under the Companies Act in anticipation of the listing on the Main Board of the Stock Exchange. Immediately following our incorporation, our Company was an indirect wholly-owned subsidiary of CAG. As part of the Reorganisation, our Company became the holding company of our Group. Further details of our corporate structure and the Reorganisation are set out in the paragraph headed “Our Reorganisation” in this section below.

OUR BUSINESS DEVELOPMENT

Commencement and early development of our business

The history of our Group can be traced back to 1994, when Mr. Yu (an executive Director and the managing director of our Company) established Kin Wing Engineering in February 1994 using his own fund with an Independent Third Party. Shortly afterwards in September 1994, Mr. Chan (an executive Director and the vice-chairman of our Company) and Mr. Wong (our Controlling Shareholder and an executive director of Chinney Investments and CAG) joined our Group and were appointed as directors of Kin Wing Engineering. In October 1994, Kin Wing (in which Chinney Investments indirectly held a 35.0% interest and was its single largest shareholder) acquired an 80.0% interest in Kin Wing Engineering with Mr. Yu holding the other 20.0%. In March 1995, Chinney Investments acquired further interests in Kin Wing and upon such acquisition Kin Wing became a 75.0% owned subsidiary of Chinney Investments, with each of Mr. Chan and Mr. Yu holding a 12.5% interest. For further information on the background and experience of Mr. Chan and Mr. Yu, please refer to the section headed “Directors and Senior Management” in this prospectus.

Chinney Investments as our holding company

Since Chinney Investments became our holding company in November 1996, our Group has expanded rapidly with the financial support from Chinney Investments and under the leadership of Mr. Wong, Mr. Chan and Mr. Yu.

Our success had led to a spin-off listing of our foundation business from Chinney Investments. Kin Wing Chinney Holdings Limited (“**KWC Holdings**”), which was the holding company of various companies of our Group, was listed on the Main Board of the Stock Exchange in December 1997. Immediately after such spin-off listing, KWC Holdings was owned by Chinney Investments, Mr. Chan and Mr. Yu as to approximately 56.250%, 9.375% and 9.375%, respectively. Our business held under KWC Holdings continued to grow steadily after such spin-off listing.

In March 2000, for the purpose of reorganisation and realising capital gain through disposing of KWC Holdings as a listing vehicle, Chinney Investments, Mr. Chan and Mr. Yu collectively sold 50.0% plus 1 share of the then issued share capital of KWC Holdings to Quality HealthCare Asia Limited, an Independent Third Party.

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At around the same time, in order to continue to realise the synergies arising from its property development business and our foundation business, Chinney Investments, through Chinney Contractors Co. Ltd. (“**Chinney Contractors**”) (which was then owned by Chinney Investments, Mr. Chan and Mr. Yu as to approximately 77.11%, 12.50% and 10.39%, respectively), acquired from KWC Holdings 50.0% interest in Kin Wing which held our foundation business.

Upon completion of the above transactions, Chinney Investments ceased to be the holding company of KWC Holdings but maintained an indirect 50.0% interest (through Chinney Contractors) in Kin Wing.

Around a year later in mid-2001, Chinney Investments, through Chinney Contractors (which was then owned by Chinney Investments, Mr. Chan and Mr. Yu as to approximately 81.58%, 13.22% and 5.20%, respectively), acquired the other 50.0% interest in Kin Wing and Kin Wing became 100.0% controlled by Chinney Investments.

In 2003, Chinney Contractors repurchased its shares owned by Mr. Yu, representing approximately 5.20% of its issued share capital.

CAG as our holding company

In September 2007, CAG acquired from Chinney Contractors (which was then owned by Chinney Investments and Mr. Chan as to approximately 86.05% and 13.95%, respectively) 100.0% interest in Chinney Construction which then held our foundation business and other superstructure construction businesses, considering that such businesses would enable the CAG Group to provide a more comprehensive range of construction services to its clients.

CAG is a company with its shares being listed on the Main Board of the Stock Exchange since 15 October 1993 and Chinney Investments was a substantial shareholder of CAG holding approximately 29.1% of its entire issued share capital at the material time.

Upon completion of such transaction, we became part of the CAG Group and have continued to grow steadily with increasing capabilities by expanding our project execution team and acquiring additional machinery and equipment.

Our Group had been operating under CAG during the Track Record Period and prior to the Spin-Off. During the Track Record Period, we have completed 47 piling construction contracts and 141 drilling and site investigation contracts with a total contract sum of more than HK\$3,400 million. As at the Latest Practicable Date, the awarded contract sum for all of our contracts on hand (including contracts in progress and contracts of which our work has yet to commence) amounted to approximately HK\$3,240.6 million.

CAG is currently engaged in the businesses of (i) importing, marketing and distribution of plastic and chemical products; (ii) provision of building services and electrical and mechanical installation and maintenance services such as air conditioning, fire systems and electrical and extra-low voltage works; (iii) sales and installation of air-conditioning systems, digital energy optimisation system, outdoor LED lighting systems and other building related electrical systems; (iv) provision of

HISTORY AND CORPORATE STRUCTURE

superstructure construction works; (v) distribution and installation of aviation systems and other hi-tech products; and (vi) other investment activities such as equity investments and investments in real estates. In addition, CAG is and will, until the completion of the Spin-off, be engaged in the Foundation Business through our Group.

In contemplation of the Global Offering, the CAG Group and our Group have undergone certain reorganisation steps, which include the incorporation of our Company. Particulars of these reorganisation steps are set out in the paragraph headed “Our Reorganisation” in this section below.

Business Milestones

The key events of the business development of our Group since our establishment are summarised as below:

Month/Year	Event
February 1994	Kin Wing Engineering was the first operating subsidiary of our Group to engage in the foundation business
June 1994	Kin Wing Engineering was registered with the Buildings Department as a registered contractor
October 1995	Kin Wing Engineering was awarded ISO 9001 Quality Management System Standard
January 1996	Kin Wing Engineering was admitted onto the Approved Specialist List under the category of land piling (Group II) for “Percussion Steel “H” Piles” and “Large Diameter Bored Piles”
April 1996	Kin Wing Engineering was admitted onto the Housing Authority List of Piling Contractors in Large Diameter Bored Piling Category
November 1996	We embarked on the new business of site investigation and drilling works through DrilTech Ground
December 1997	KWC Holdings was listed on the Main Board of the Stock Exchange
January 1998	DrilTech Ground was awarded ISO 9001 Quality Management System Standard
May 1999	DrilTech Ground was admitted onto the Approved Specialist List under the category of ground investigation field work (Group II)
May 2000	Kin Wing Engineering and Kin Wing Foundations were registered as specialist contractors for site formation works under the Buildings Department
November 2000	Kin Wing Engineering’s status in the Approved Specialist List under the category of land piling (Group II) was extended to include “Mini-pile”

HISTORY AND CORPORATE STRUCTURE

Month/Year	Event
July 2001	DrilTech Ground and DrilTech Geotechnical was registered as specialist contractors for ground investigation field works under the Buildings Department
October 2001	Kin Wing Engineering's status in the Approved Specialist List under the category of land piling (Group II) was extended to include "Large Diameter Bored Pile (with Bell-out)"
May 2002	DrilTech Ground was admitted onto the Housing Authority List of Ground Investigation Contractors
November 2004	Kin Wing Engineering's status in the Approved Specialist List under the category of land piling (Group II) was extended to include "Rock-socketed Steel H-pile in Pre-bored Hole"
May 2005	We were awarded our first piling construction contract in Macau, with a contract sum of approximately MOP81.0 million
June 2005	Kinwing Macau and DrilTech Macau were established to capture increasing demand for piling construction and site investigation works in Macau
September 2006	Kin Wing Foundations was awarded ISO 9001 Quality Management System Standard
September 2007	Our Group became part of the CAG Group
January 2008	Kin Wing Engineering was awarded OHSAS 18001 Occupational Health and Safety Management Systems Requirements
April 2008	DrilTech Geotechnical was awarded ISO 9001 Quality Management System Standard
December 2008	Kin Wing Engineering was awarded ISO 14001 Environmental Management System Standard
May 2011	Our execution panel, comprising heads of all major operating departments, was established for managing and supervising the overall operations of our Group
July 2011	Kin Wing Foundations was awarded ISO 14001 Environmental Management System Standard and OHSAS 18001 Occupational Health and Safety Management Systems Standard
December 2012	Kin Wing Engineering and Kin Wing Foundations were awarded ISO 50001 Energy Management Systems — Requirements
	Revenue of our Group for the financial year 2012 exceeded HK\$1.0 billion

HISTORY AND CORPORATE STRUCTURE

OUR CORPORATE HISTORY

Our Company

Our Company was incorporated in Bermuda with limited liability on 29 May 2015. Please refer to the paragraph headed “Statutory and General Information — A. Further Information about our Company and our Group — 2. Changes in share capital of our Company” in Appendix IV to this prospectus for details of changes in the share capital of our Company. As a result of the Reorganisation, our Company became the holding company of our Group.

As at the Latest Practicable Date, our Group comprised our Company and eight subsidiaries established in Hong Kong, Macau or the BVI. Our Group companies commenced business from the respective dates of their incorporation.

Our major subsidiaries

Kin Wing

Kin Wing is an investment holding company.

On 15 March 1994, Kin Wing was incorporated in the BVI as a limited liability company with an authorised share capital of US\$50,000.0 divided into 50,000 shares of US\$1.0 each. On 26 September 1994, (i) 35 shares allotted and issued to Chinney Construction Co. Ltd., a non-wholly owned subsidiary of Chinney Investments; (ii) 15 shares allotted and issued to each of Shui Lun Limited and Silver Leaf Corporation, both are Independent Third Parties, and Mr. Yu; (iii) ten shares allotted and issued to Ms. Ng Chi Ling (“**Ms. Ng**”), an Independent Third Party; and (iv) five shares allotted and issued to each of Mr. Leung Chung (“**Mr. Leung**”) and Mr. Sham Yu Fat (“**Mr. Sham**”), both are Independent Third Parties.

On 6 March 1995, Shui Lun Limited, Silver Leaf Corporation, Ms. Ng, Mr. Leung and Mr. Sham transferred all their respective shares in Kin Wing to Chinney Construction Co. Ltd. On the same day, 65 shares were allotted and issued to Chinney Construction Co. Ltd, ten shares were allotted and issued to Mr. Yu and 25 shares were allotted and issued to Mr. Chan. As a result, Kin Wing was owned as to 75.0%, 12.5% and 12.5% by Chinney Construction Co. Ltd, Mr. Yu and Mr. Chan, respectively.

On 12 November 1996, Chinney Construction Co. Ltd transferred all its 150 shares in Kin Wing to Chinney Investments. Kin Wing was then owned as to 75.0%, 12.5% and 12.5% by Chinney Investments, Mr. Yu and Mr. Chan, respectively.

On 25 November 1997, in preparation of the listing of KWC Holdings, six shares were allotted and issued by Kin Wing to Chinney Investments and one share was allotted and issued to each of Mr. Yu and Mr. Chan. On the same day, Chinney Investments, Mr. Yu and Mr. Chan transferred all their respective shares in Kin Wing to KWC Holdings. As a result, Kin Wing became a wholly-owned subsidiary of KWC Holdings.

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On 28 June 2000, KWC Holdings transferred 104 shares representing 50.0% of the entire issued share capital of Kin Wing to Chinney Contractors, another non-wholly owned subsidiary of Chinney Investments. As a result, Kin Wing was owned as to 50.0% by each of KWC Holdings and Chinney Contractors.

On 8 May 2001, KWC Holdings transferred its remaining 104 shares representing 50.0% of the entire issued share capital of Kin Wing to New Luck Assets Limited (“**New Luck**”), another non-wholly owned subsidiary of Chinney Investments. As a result, Kin Wing was owned as to 50.0% by each of New Luck and Chinney Contractors.

On 20 July 2001, New Luck transferred 104 shares representing 50.0% of the entire issued share capital of Kin Wing to Chinney Contractors. Kin Wing then became a wholly-owned subsidiary of Chinney Contractors.

On 28 August 2007, Chinney Contractors transferred the entire issued capital of Kin Wing to Chinney Construction, a wholly-owned subsidiary of Chinney Investments.

On 15 October 2015, Chinney Construction transferred the entire issued share capital of Kin Wing to our Company. For further details of such transfer, please refer to the paragraph headed “Our Reorganisation” in this section below.

Kin Wing Engineering

Kin Wing Engineering is principally engaged in foundation projects in the public sector in Hong Kong.

On 19 August 1993, Kin Wing Engineering was incorporated in Hong Kong as a limited liability company with an authorised share capital of HK\$10,000.0 divided into 10,000 shares of HK\$1.0 each, with one share allotted and issued to each of Time Way Limited and Cheerfit Development Limited, both are Independent Third Parties.

On 8 February 1994, Mr. Yu acquired one share from Time Way Limited and Mr. Leung acquired one share from Cheerfit Development Limited. On the same day, 79 shares were allotted and issued to Mr. Yu and 19 shares were allotted and issued to Mr. Leung. As a result, the number of issued shares was 100 shares, 80 of which were owned by Mr. Yu and 20 of which were owned by Mr. Leung.

On 10 October 1994, Mr. Yu acquired 20 shares from Mr. Leung. On the same day, Kin Wing acquired 80 shares from Mr. Yu. On 7 August 1995, Mr. Yu transferred the remaining 19 shares and one share to Kin Wing and Mr. Wong respectively. As a result, Kin Wing Engineering was owned as to 99.0% (99 shares) and 1.0% (one share) by Kin Wing and Mr. Wong respectively.

On 14 June 1995, the authorised share capital of Kin Wing Engineering was increased from HK\$10,000.0 to HK\$10,000,000.0 by the creation of an additional 9,990,000 shares of HK\$1.0 each. On 15 June 1995, Kin Wing Engineering allotted and issued 9,999,900 shares to Kin Wing. As a result, Kin Wing owned 9,999,999 out of the 10,000,000 issued shares.

HISTORY AND CORPORATE STRUCTURE

On 13 February 2006, the authorised share capital of Kin Wing Engineering was further increased from HK\$10,000,000.0 to HK\$20,000,000.0 by the creation of an additional 10,000,000 shares of HK\$1.0. On the same day, 10,000,000 shares were allotted and issued to Kin Wing.

On 31 October 2007, Mr. Wong transferred one share to Asian Secretaries, which held such share on trust for Kin Wing.

From the commencement date of the Track Record Period until the Latest Practicable Date, Kin Wing Engineering has an issued share capital of HK\$20,000,000.0 divided into 20,000,000 shares of HK\$1.0 each, which are wholly-owned by Kin Wing.

Kin Wing Foundations

Kin Wing Foundations is principally engaged in foundation projects in the private sector in Hong Kong.

On 2 May 1995, Kin Wing Foundations was incorporated in Hong Kong as a limited liability company with an authorised share capital of HK\$10,000.0 divided into 10,000 shares of HK\$1.0 each, with 9,999 shares allotted and issued to Kin Wing Engineering and one share allotted and issued to Mr. Wong.

On 31 October 2007, Mr. Wong transferred one share to Asian Secretaries, which held such share on trust for Kin Wing Engineering.

From the commencement date of the Track Record Period until the Latest Practicable Date, Kin Wing Foundations has an issued share capital of HK\$10,000.0 divided into 10,000 shares of HK\$1.0 each, which are wholly-owned by Kin Wing Engineering.

DrilTech Ground

DrilTech Ground is principally engaged in drilling, site investigation and related ground engineering for the public sector in Hong Kong.

On 12 November 1996, DrilTech Ground was incorporated in Hong Kong as a limited liability company with an authorised share capital of HK\$500,000.0 divided into 500,000 shares of HK\$1.0 each, with 425,000 shares allotted and issued to Kin Wing and 75,000 shares allotted and issued to Mr. Chan Man Piu (“**Mr. MP Chan**”), an Independent Third Party.

On 29 September 1998, Mr. MP Chan transferred 74,999 shares to Kin Wing and one share to Mr. Wong. As a result, Kin Wing held 499,999 shares and Mr. Wong held one share of DrilTech Ground.

HISTORY AND CORPORATE STRUCTURE

On 11 February 1999, DrilTech Ground increased its authorised share capital from HK\$500,000.0 to HK\$12,500,000.0 by the creation of an additional 12,000,000 shares of HK\$1.0 each and allotted and issued 12,000,000 shares to Kin Wing.

On 31 October 2007, Mr. Wong transferred one share to Asian Secretaries, which held such share on trust for Kin Wing.

From the commencement date of the Track Record Period until the Latest Practicable Date, DrilTech Ground has an issued share capital of HK\$12,500,000.0 divided into 12,500,000 shares of HK\$1.0 each, which are wholly-owned by Kin Wing.

DrilTech Geotechnical

DrilTech Geotechnical is principally engaged in drilling, site investigation and related ground engineering for the private sector in Hong Kong.

On 13 February 1998, DrilTech Geotechnical was incorporated in Hong Kong as a limited liability company with an authorised share capital of HK\$10,000.0 divided into 10,000 shares of HK\$1.0 each, with one share allotted and issued to each of Offshore Incorporations Limited and Well Held Limited, both are Independent Third Parties.

On 3 June 1998, Kin Wing acquired one share from Offshore Incorporations Limited and Mr. Wong acquired one share from Well Held Limited. On the same day, 9,998 shares were allotted and issued to Kin Wing.

On 31 October 2007, Mr. Wong transferred one share to Asian Secretaries, which held such share on trust for Kin Wing.

From the commencement date of the Track Record Period until the Latest Practicable Date, DrilTech Geotechnical has an issued share capital of HK\$10,000.0 divided into 10,000 shares of HK\$1.0 each, which are wholly-owned by Kin Wing.

Kinwing Macau

Kinwing Macau is principally engaged in foundation projects in Macau.

On 1 June 2005, Kinwing Macau was established in Macau as a private limited liability company by quotas with a registered capital of MOP1,000,000.0, with one quota in the nominal amount of MOP999,000.0 held by Kin Wing and one quota in the nominal amount of MOP1,000.0 held by Kin Wing Engineering. By a declaration of trust dated 1 June 2005, Kin Wing Engineering declared that it held one quota in Kinwing Macau on trust for Kin Wing. Pursuant to a power of attorney dated 8 August 2015 executed by Kin Wing Engineering, Kin Wing Engineering granted all its powers relating to (a) the social rights and (b) its quota of MOP1,000.0 in Kinwing Macau, including the powers to enable the attorney to assign the quota of MOP1,000.0 into its own name, in favour of Kin Wing.

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According to the Macau Legal Adviser, such power of attorney forms an irrevocable act and cannot be revoked by Kin Wing Engineering without the consent of Kin Wing. Hence, Kin Wing beneficially owns the entire registered capital of Kinwing Macau taking into account the registered capital of MOP999,000.0 held under its name.

There has been no change in the registered capital of Kinwing Macau since its establishment.

DrilTech Macau

DrilTech Macau is principally engaged in drilling and site investigation works in Macau.

On 1 June 2005, DrilTech Macau was incorporated in Macau as a private limited liability company by quotas with a registered capital of MOP1,000,000.0 with one quota in the nominal amount of MOP999,000.0 held by Kin Wing and one quota in the nominal amount of MOP1,000.0 held by DrilTech Ground. By a declaration of trust dated 1 June 2005, DrilTech Ground declared that it held one quota in DrilTech Macau on trust for Kin Wing. Pursuant to a power of attorney dated 8 August 2015 executed by DrilTech Ground, DrilTech Ground granted all its powers relating to (a) the social rights and (b) its quota of MOP1,000.0 in DrilTech Macau, including the powers to enable the attorney to assign the quota of MOP1,000.0 into its own name, in favour of Kin Wing. According to the Macau Legal Adviser, such power of attorney forms an irrevocable act and cannot be revoked by DrilTech Ground without the consent of Kin Wing. Hence, Kin Wing beneficially owns the entire registered capital of DrilTech Macau taking into account the registered capital of MOP999,000.0 held under its name.

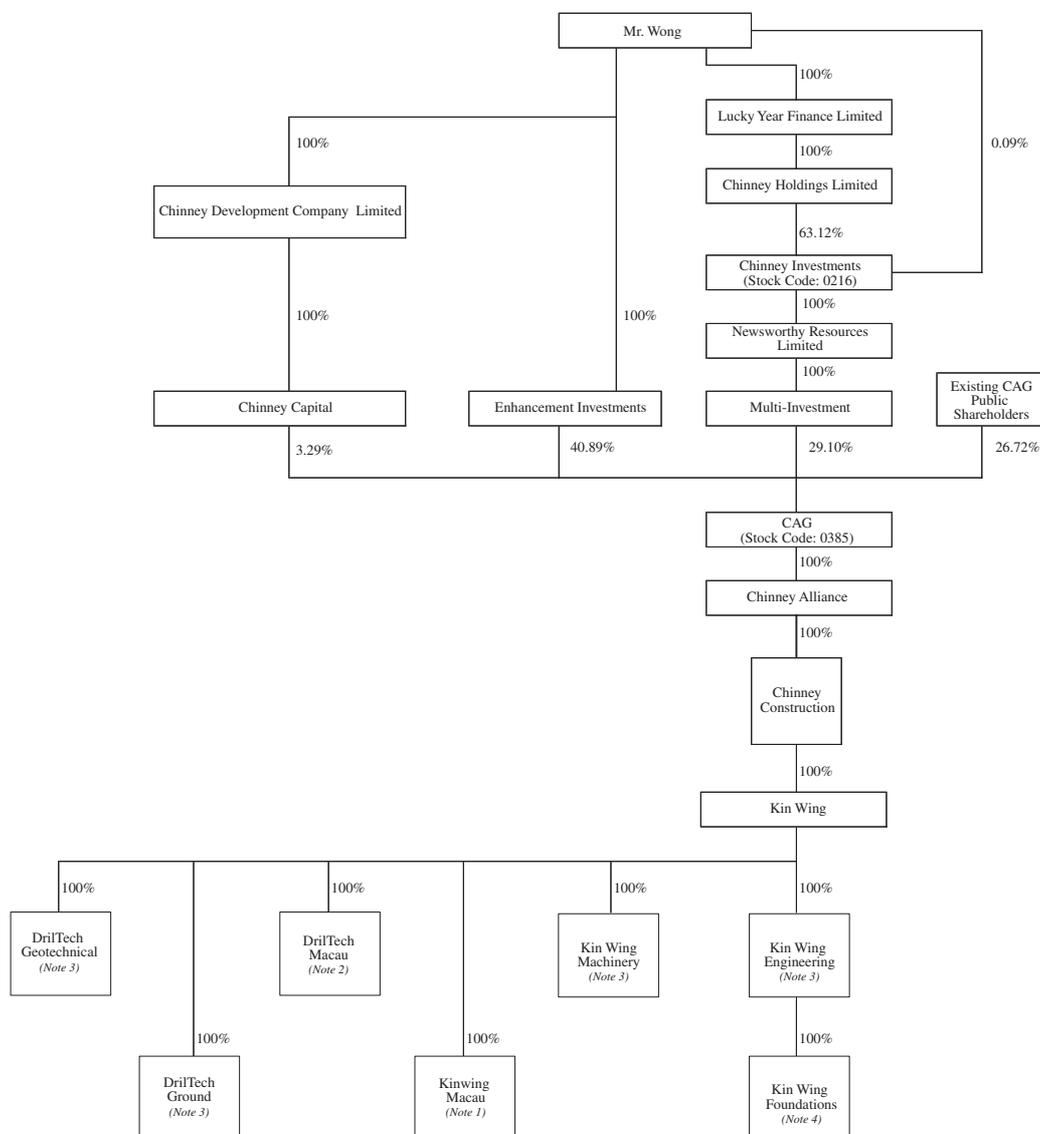
There has been no change in the registered capital of DrilTech Macau since its establishment.

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OUR REORGANISATION

Our corporate structure prior to the Reorganisation

The corporate structure of our Group immediately prior to the Reorganisation is set out below:



Notes:

1. Kinwing Macau is legally owned as to 99.9% by Kin Wing and 0.1% by Kin Wing Engineering. By a declaration of trust dated 1 June 2005, Kin Wing Engineering declared that it held one quota in Kinwing Macau on trust for Kin Wing. On 8 August 2015, Kin Wing Engineering has granted an irrevocable power of attorney in favour of Kin Wing granting Kin Wing all powers relating to its social rights and its quota in Kinwing Macau, and hence Kin Wing beneficially owns the entire registered capital of Kinwing Macau.
2. DrilTech Macau is legally owned as to 99.9% by Kin Wing and 0.1% by DrilTech Ground. By a declaration of trust dated 1 June 2005, DrilTech Ground declared that it held one quota in DrilTech Macau on trust for Kin Wing. On 8 August 2015, DrilTech Ground has granted an irrevocable power of attorney in favour of Kin Wing granting Kin Wing all powers relating to its social rights and its quota in DrilTech Macau, and hence Kin Wing beneficially owns the entire registered capital of DrilTech Macau.
3. One share of each of these subsidiaries was held by Asian Secretaries (an indirect wholly owned subsidiary of CAG) on trust for Kin Wing.
4. One share of Kin Wing Foundations was held by Asian Secretaries (an indirect wholly owned subsidiary of CAG) on trust for Kin Wing Engineering.

HISTORY AND CORPORATE STRUCTURE

Our Reorganisation

For the purpose of the Listing, the following Reorganisation steps have been undertaken.

(1) *Incorporation of our Company as a wholly-owned subsidiary of Chinney Construction*

Our Company was incorporated with limited liability on 29 May 2015 in Bermuda. The authorised share capital of our Company, on incorporation, was HK\$78,000.0 divided into 780,000 Shares of par value of HK\$0.1 each, one of which was allotted and issued to Chinney Construction at par on 19 June 2015.

(2) *Transfer of legal title of one share in each of the subsidiaries incorporated in Hong Kong by Asian Secretaries*

On 15 October 2015, Asian Secretaries transferred (i) the legal title of one share in each of Kin Wing Engineering, Kin Wing Machinery, DrilTech Geotechnical and DrilTech Ground to Kin Wing and (ii) the legal title of one share in Kin Wing Foundations to Kin Wing Engineering.

As a result of this step, the entire issued share capital of each of Kin Wing Engineering, Kin Wing Machinery, DrilTech Geotechnical and DrilTech Ground will be legally and beneficially owned by Kin Wing and the entire issued share capital of Kin Wing Foundations will be legally and beneficially owned by Kin Wing Engineering.

(3) *Repayment of loans from CAG to each of DrilTech Geotechnical, Kin Wing Foundations and Kin Wing Engineering*

As at 15 October 2015, CAG was indebted to DrilTech Geotechnical, Kin Wing Foundations and Kin Wing Engineering for HK\$6,000,000 (the “**DT Loan**”), HK\$14,962,000 (the “**KWF Loan**”) and HK\$1,000,000 (the “**KWE Loan**”), respectively.

On 15 October 2015, Kin Wing, Chinney Construction, CAG and DrilTech Geotechnical entered into a deed of assignment and novation of loan pursuant to which (i) DrilTech Geotechnical assigned all its rights, title, interests and benefits of and in the DT Loan to Kin Wing absolutely; and (ii) Chinney Construction assumed all of CAG’s obligations and liabilities to repay to DrilTech Geotechnical the DT Loan, each in consideration of an amount equal to the DT Loan of HK\$6,000,000. As a result, the DT Loan was due from Chinney Construction to Kin Wing, and an amount equal to the DT Loan was due from Kin Wing to DrilTech Geotechnical, and from CAG to Chinney Construction.

On 15 October 2015, Kin Wing, Chinney Construction, CAG and Kin Wing Foundations entered into a deed of assignment and novation of loan pursuant to which (i) Kin Wing Foundations assigned all its rights, title, interests and benefits of and in the KWF Loan to Kin Wing absolutely; and (ii) Chinney Construction assumed all of CAG’s obligations and liabilities to repay to Kin Wing

HISTORY AND CORPORATE STRUCTURE

Foundations the KWF Loan, each in consideration of an amount equal to the KWF Loan of HK\$14,962,000. As a result, the KWF Loan was due from Chinney Construction to Kin Wing, and an amount equal to the KWF Loan was due from Kin Wing to King Wing Foundations, and from CAG to Chinney Construction.

On 15 October 2015, Kin Wing, Chinney Construction, CAG and Kin Wing Engineering entered into a deed of assignment and novation of loan pursuant to which (i) Kin Wing Engineering assigned all its rights, title, interests and benefits of and in the KWE Loan to Kin Wing absolutely; and (ii) Chinney Construction assumed all of CAG's obligations and liabilities to repay to Kin Wing Engineering the KWE Loan, each in consideration of an amount equal to the KWE Loan of HK\$1,000,000. As a result, the KWE Loan was due from Chinney Construction to Kin Wing, and an amount equal to the KWE Loan was due from Kin Wing to King Wing Engineering, and from CAG to Chinney Construction.

On 15 October 2015, Kin Wing declared a special dividend of approximately HK\$22.0 million to Chinney Construction which set off the amount of the DT Loan, the KWF Loan and the KWE Loan due from Chinney Construction to Kin Wing (the "Set-off").

As a result of the Set-off, the DT Loan, the KWF Loan and the KWE Loan were fully settled.

(4) Increase of the authorised capital of our Company

On 15 October 2015, the authorised share capital of our Company was increased from HK\$78,000.0 divided into 780,000 Shares to HK\$300,000,000.0 divided into 3,000,000,000 Shares by the creation of an additional 2,999,220,000 Shares.

(5) Transfer of interests in Kin Wing by Chinney Construction to our Company

On 15 October 2015, Chinney Construction (as vendor), our Company (as purchaser) and CAG (as guarantor) entered into the Share Purchase Agreement, pursuant to which our Company acquired from Chinney Construction the entire issued share capital of Kin Wing (the "Transfer") at a consideration of HK\$1,622, which is equivalent to the book value of the investment cost in Kin Wing. Such consideration was satisfied by our Company allotting and issuing 9,999 new Shares credited as fully paid up to Chinney Construction.

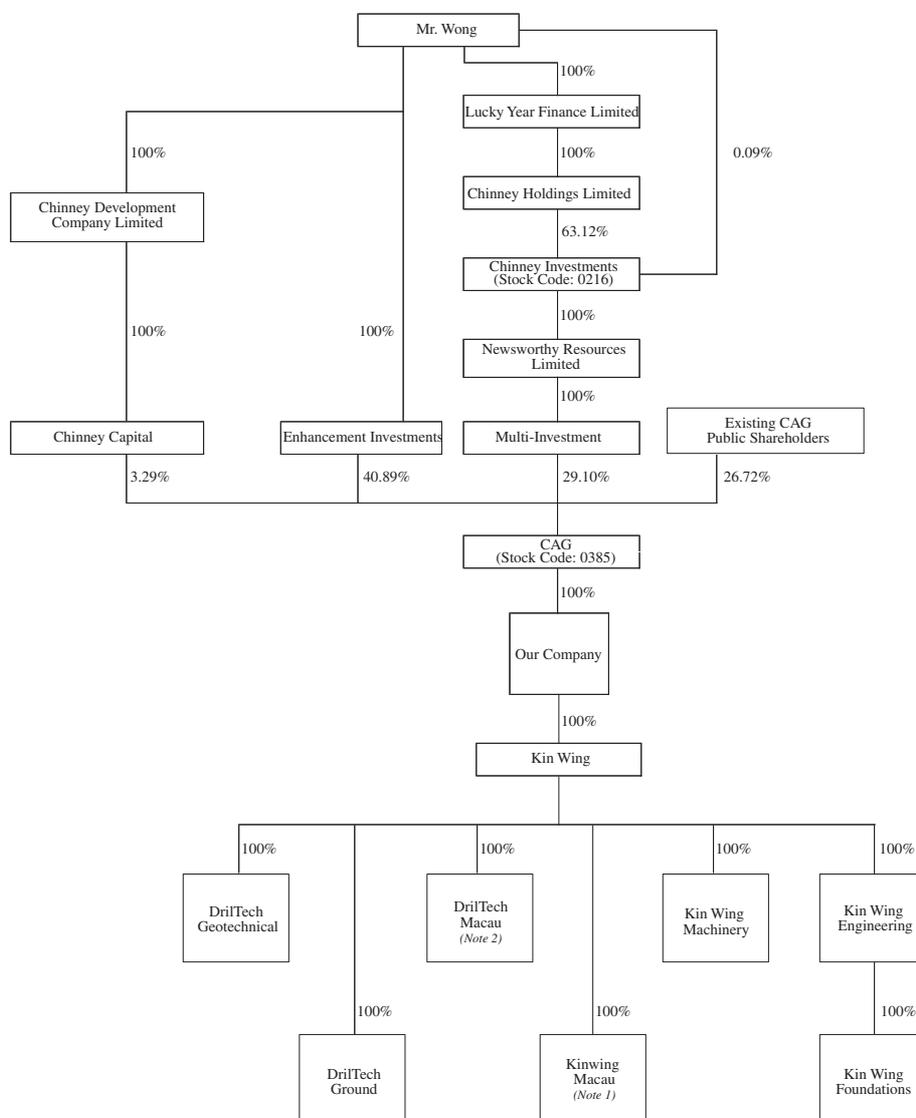
On 15 October 2015, in anticipation of the completion of the Transfer, the board of directors of Chinney Construction declared a special dividend by way of distribution in specie of its entire shareholding in our Company in favour of Chinney Alliance and the board of directors of Chinney Alliance in turn declared a special dividend by way of distribution of specie of its entire shareholding in our Company in favour of CAG.

As a result, the total issued capital of our Company comprised of HK\$1,000.0 divided into 10,000 Shares were held by CAG and our Company in turn holds the entire issued share capital of Kin Wing.

HISTORY AND CORPORATE STRUCTURE

Our corporate structure after the Reorganisation but prior to the Global Offering

The corporate structure of our Group after completion of the Reorganisation but immediately prior to the Capitalisation Issue and the Global Offering is set out below:



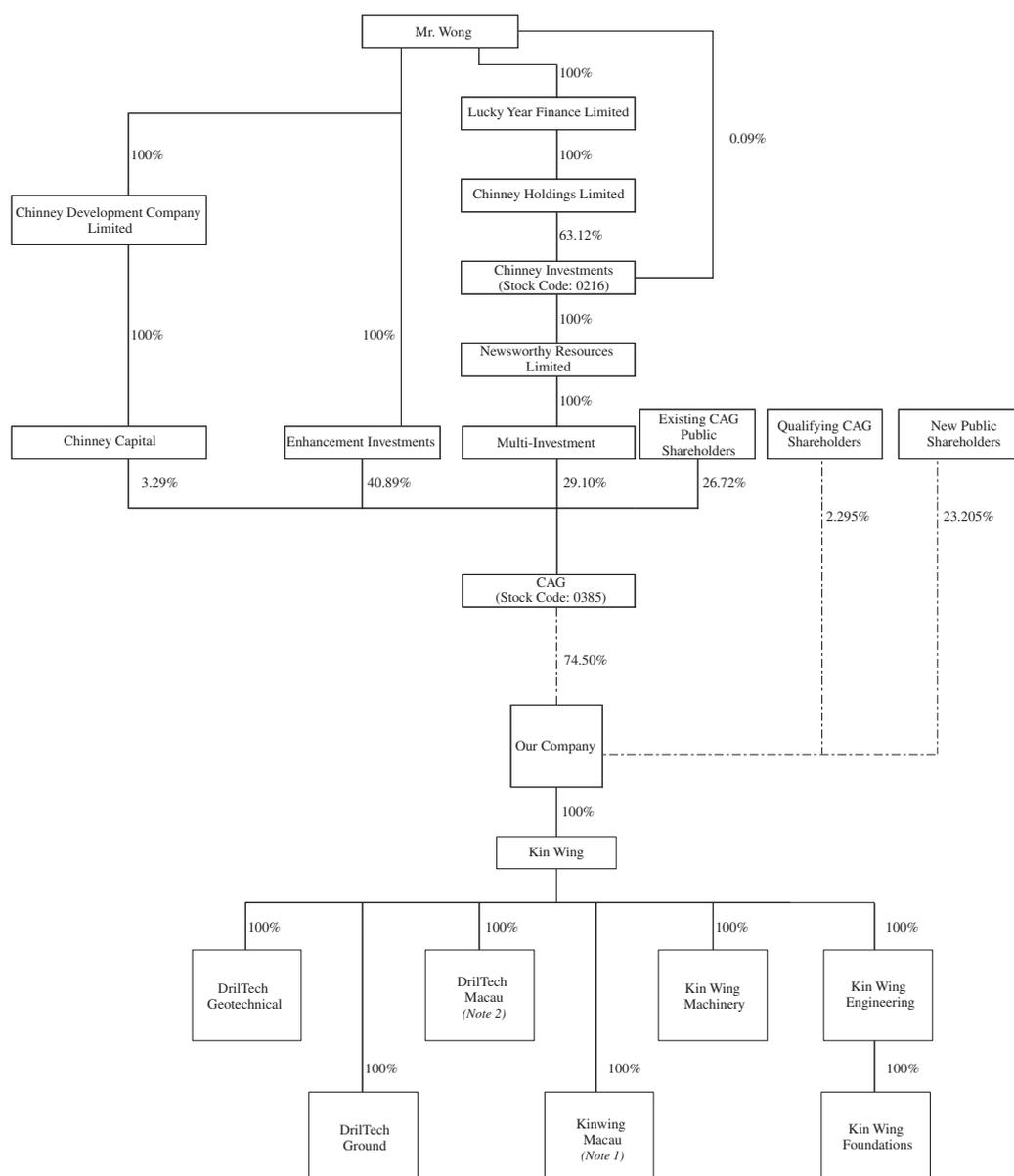
Notes:

1. Kinwing Macau is legally owned as to 99.9% by Kin Wing and 0.1% by Kin Wing Engineering. By a declaration of trust dated 1 June 2005, Kin Wing Engineering declared that it held one quota in Kinwing Macau on trust for Kin Wing. On 8 August 2015, Kin Wing Engineering has granted an irrevocable power of attorney in favour of Kin Wing granting Kin Wing all powers relating to its social rights and its quota in Kinwing Macau, and hence Kin Wing beneficially owns the entire registered capital of Kinwing Macau.
2. DrilTech Macau is legally owned as to 99.9% by Kin Wing and 0.1% by DrilTech Ground. By a declaration of trust dated 1 June 2005, DrilTech Ground declared that it held one quota in DrilTech Macau on trust for Kin Wing. On 8 August 2015, DrilTech Ground has granted an irrevocable power of attorney in favour of Kin Wing granting Kin Wing all powers relating to its social rights and its quota in DrilTech Macau, and hence Kin Wing beneficially owns the entire registered capital of DrilTech Macau.

HISTORY AND CORPORATE STRUCTURE

Our corporate structure after the Reorganisation and the Global Offering

The corporate structure of our Group after completion of the Reorganisation, and immediately after the Capitalisation Issue and the Global Offering (assuming that all Qualifying CAG Shareholders (except Chinney Capital, Enhancement Investments and Multi-Investment) take up their respective Preferential Entitlements under the Preferential Offer in full, and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option) is set out below:



Notes:

1. Kinwing Macau is legally owned as to 99.9% by Kin Wing and 0.1% by Kin Wing Engineering. By a declaration of trust dated 1 June 2005, Kin Wing Engineering declared that it held one quota in Kinwing Macau on trust for Kin Wing. On 8 August 2015, Kin Wing Engineering has granted an irrevocable power of attorney in favour of Kin Wing granting Kin Wing all powers relating to its social rights and its quota in Kinwing Macau, and hence Kin Wing beneficially owns the entire registered capital of Kinwing Macau.
2. DrilTech Macau is legally owned as to 99.9% by Kin Wing and 0.1% by DrilTech Ground. By a declaration of trust dated 1 June 2005, DrilTech Ground declared that it held one quota in DrilTech Macau on trust for Kin Wing. On 8 August 2015, DrilTech Ground has granted an irrevocable power of attorney in favour of Kin Wing granting Kin Wing all powers relating to its social rights and its quota in DrilTech Macau, and hence Kin Wing beneficially owns the entire registered capital of DrilTech Macau.

HISTORY AND CORPORATE STRUCTURE

THE SPIN-OFF

CAG submitted a spin-off proposal to the Stock Exchange pursuant to Practice Note 15 of the Listing Rules in relation to the Spin-off on 29 April 2015 and the Stock Exchange had confirmed that CAG may proceed with the Spin-off. Our Company will comply with the requirements under Practice Note 15 and the applicable requirements of the Listing Rules regarding the Spin-off as and when necessary.

The board of directors of CAG believes that the Spin-off will bring about the following benefits to both CAG and our Company:

- (i) as there are clear strategic and operational differences between the Foundation Business and the Retained Business, the Spin-off and the Listing will create our Company as an investment opportunity for new investors and also unlock the shareholder value for the CAG Shareholders by better identifying and establishing the stand-alone corporate value of the Foundation Business;
- (ii) the Spin-off and the Listing will increase the operational and financial transparency of each of the Foundation Business and the Retained Business, through which investors would be able to appraise and assess the performance and potential of CAG and our Company as separate entities rather than as a conglomerate. It allows both CAG and our Company to target their respective investor base, more effectively, which in turn improves capital raising on a competitive basis and capital allocation to enhance growth within each company;
- (iii) the Spin-off and the Listing will lead to a more direct alignment of the responsibilities and accountability of the management of both CAG and our Company with their respective operating and financial performances. It leads to enhanced management focus, better resources allocation, more efficient decision-making process, and faster responsiveness to market changes, on the respective businesses of the Remaining Group and our Group;
- (iv) the Spin-off and the Listing will enable our Company to directly and independently access both equity and debt capital markets, and will facilitate it in securing banking facilities, which in turn will increase the financing flexibility to achieve the business strategies of our Group; and
- (v) the separate listing status of our Company will also enhance our Group's profile amongst our customers, suppliers and other business partners, as well as our ability to recruit, motivate and retain key management personnel. Our Company will enjoy greater flexibility in providing management incentives through adoption of equity based incentive program such as share option scheme, and making acquisitions by using our stock as acquisition currency.

In accordance with the requirements of Practice Note 15 of the Listing Rules, CAG will give due regard to the interests of its shareholders by providing Qualifying CAG Shareholders with an assured entitlement to the Shares by way of the Preferential Offer. Details of the Preferential Offer are described in the section headed "Structure of the Global Offering" in this prospectus.

BUSINESS

COMPANY OVERVIEW

Our Group was founded in 1994. We are engaged in a wide range of foundation works including (i) piling construction (such as bored piling, percussive H-piling, socketed H-piling, mini-piling and sheet piling) and other ancillary services (such as ELS works, site formation and pile cap construction); and (ii) drilling and site investigation. According to the Ipsos Report, our Group ranked the fourth in the piling construction industry in Hong Kong for three consecutive years from 2012 to 2014 in terms of revenue generated.

We are registered as specialist contractor in the categories of foundation works, ground investigation field works and site formation works with the Buildings Department and are registered on the Approved Specialist List in the categories of land piling (Group II) and ground investigation field work (Group II) maintained by WBDB. We are also approved by the Housing Authority and registered on its list of contractors in the categories of “large diameter bored piling”, “percussive piling” and “ground investigation works”. During the Track Record Period, we have completed a total of 47 piling construction contracts and 141 drilling and site investigation contracts with an aggregate contract sum exceeding HK\$3,400 million, which are all located in Hong Kong except one piling construction contract in Macau with a contract sum of approximately MOP 180.3 million. As at the Latest Practicable Date, the awarded contract sum for all of our contracts on hand (including contracts in progress and contracts yet to be commenced) amounted to approximately HK\$3,240.6 million.

The table below sets out a breakdown of our Group’s turnover by activity for the Track Record Period:

Turnover by activity	For the year ended 31 December						For the four months ended	
	2012		2013		2014		30 April 2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Piling construction and other ancillary services	933,959	89.1	1,059,906	90.0	1,233,410	89.3	550,712	91.8
Drilling and site investigation	114,735	10.9	118,418	10.0	148,079	10.7	49,113	8.2
	<u>1,048,694</u>	<u>100.0</u>	<u>1,178,324</u>	<u>100.0</u>	<u>1,381,489</u>	<u>100.0</u>	<u>599,825</u>	<u>100.0</u>

According to the Ipsos Report, the top five piling construction companies in Hong Kong accounted for approximately 32.0%, 40.8% and 48.7% of the total market share by revenue in Hong Kong in 2012, 2013 and 2014, while the remaining ones accounted for approximately 68.0%, 59.2% and 51.3%. For each of the three financial years ended 2014, our Group’s revenue generated from piling construction and other ancillary services amounted to approximately HK\$934.0 million, HK\$1,060.0 million and HK\$1,233.4 million which accounted for approximately 4.6%, 5.7% and 6.3% respectively of the total market share and ranked the fourth in the piling construction industry in Hong Kong for three consecutive years from 2012 to 2014 in terms of revenue generated.

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It is estimated in the Ipsos Report that between 2015 and 2019, the revenue of the piling construction industry will rise from approximately HK\$24.5 billion in 2015 to approximately HK\$51.8 billion in 2019, at a CAGR of approximately 20.6% owing to the expected increase in the demand for residential and commercial buildings. In view of our Group's track record, leading position in the foundation industry, and comprehensive coverage in foundation works offered to both private and public sectors, our Directors believe that the expected increase in the industry's turnover could create more opportunities for our Group and contribute positively to our future growth.

COMPETITIVE STRENGTHS

Established history and renowned reputation in the industry

We believe that our reputation in the industry has been cultivated throughout our history, which dates back to 1994 when Kin Wing Engineering became our first operating subsidiary.

During the past years, we have continuously strengthened our capability to capture business opportunities through acquiring and expanding our fleet of piling equipment, expanding our project portfolio, and building up our professional qualifications by obtaining various registrations and certifications from relevant government bodies/public organisations. During the Track Record Period, we have acquired over HK\$267.1 million of new machinery and completed about 47 piling construction contracts and 141 drilling and site investigation contracts in Hong Kong and Macau.

We were first admitted onto the "Housing Authority List of Piling Contractors" in 1996 and are one of the only four foundation piling contractors who are admitted onto the Housing Authority list of Contractors in all the three categories of "large diameter bored piling", "percussive piling" and "ground investigation works" as at the Latest Practicable Date. In order to be admitted onto the "Housing Authority List of Piling Contractors", the candidate has to fulfill stringent requirements such as number of self-owned piling plants, qualifications and experiences of management team and on-site workers, project track record in terms of both the number and value, and ISO quality control certification. For further details about the registrations and certifications we hold from the Housing Authority and other Government bodies/public organisations, please refer to the paragraph headed "Major Qualifications, Certifications, Awards and Recognition" in this section below.

We have proven our ability to capitalise on our continuous efforts in our long operating history to become one of the largest and successful players in the foundation industry in Hong Kong. According to the Ipsos Report, we are one of the top five piling construction companies in Hong Kong in terms of market share by revenue in 2014, which we accounted for approximately 6.3% of the total industry revenue. We believe that we have well-developed scale and capabilities to continue to compete and further enhance our position in the Hong Kong foundation industry.

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Diversified customer base and strong relationships with customers

Capitalising on our registrations and qualifications in the foundation industry, we are able to directly enter into foundation works contracts with customers in both the public and private sectors in Hong Kong for providing comprehensive range of foundation piling services. Our customers in private sector include property developers, construction companies, Urban Renewal Authority, charity organizations as well as their respective main contractors while our customers in public sector include different departments of the Hong Kong Government, its related organizations and institutional bodies such as the Housing Authority, the Housing Society, CEDD, Highways Department and Architectural Services Department. For each of the three years ended 31 December 2014 and the four months ended 30 April 2015, revenue generated from private sector amounted to approximately HK\$858.4 million, HK\$1,133.6 million, HK\$1,278.9 million and HK\$429.3 million respectively, representing approximately 81.9%, 96.2%, 92.6% and 71.6% respectively, of our total revenue.

During the Track Record Period, a majority of our revenue was derived from private sector customers. It is partly due to our strategy to focus on “design and build” contracts which offer higher profit margin and most of the private sector contracts are “design and build” nature. Moreover, even for those foundation projects of which the ultimate employers are from public sector, we classify them as contracts from private sector customers if we only act as subcontractor and enter into subcontracting contracts with the main contractors in the private sector which we regard as our direct customers. Amongst the revenue contributed from private sector customers for each of the three years ended 31 December 2014 and the four months ended 30 April 2015, so far as is known to our Directors, approximately 12.3%, 15.0%, 9.2% and 7.6% respectively were related to government’s projects or infrastructure projects in which we acted as subcontractor.

While we believe that our Group could continue to benefit from the prosperity of the construction and foundation works from private sector in Hong Kong, we recognize the importance of, and will continue to maintain, a well-diversified customer base that allows us to benefit from emerging opportunities in public sector while not being over-reliant on the dynamics of a single market segment.

Apart from a well-diversified customer base, we have established strong and close working relationships with our customers over the years through delivery of comprehensive range of foundation piling services to their satisfaction. For each of the three years ended 31 December 2014 and the four months ended 30 April 2015, revenue contributed from our top five customers by affiliated group in aggregate accounted for approximately 61.1%, 67.0%, 60.8% and 68.9% respectively of our Group’s turnover. All of our top five customers by affiliated group throughout the Track Record Period have established business relationships with us for periods ranging from about one to 19 years. We believe that such long term relationship represents confidence from our clients and acknowledgment of our ability.

BUSINESS

Wide range of foundation piling services delivered by technically-capable teams

Our services cover different kinds of foundation works including (i) piling construction (such as bored piling, percussive H-piling, socketed H-piling, mini-piling and sheet piling) and other ancillary works (such as ELS works, site formation and pile cap construction); and (ii) drilling and site investigation. These broadly-diversified services, complemented by our experienced and effective piling design and production teams, allow us to offer comprehensive and high quality foundation piling solutions to our customers.

We strive to be meaningfully involved in all phases of the project cycle, including designing, project management and production. We have our own design team including members with professional backgrounds in civil engineering to provide foundation design plans that not only suit our customers' requirements and site conditions but are also more time-saving and cost-effective. We have established an execution panel ("**Execution Panel**") which comprises the heads of all major operating departments of our Group in 2011 to oversee and coordinate the works in all of our ongoing projects such as tendering, contracting, quantity surveying, plant and maintenance supporting and environmental and safety assurance to ensure their smooth operations and achieve the highest level of synergy. We also have a production team which comprises of skilled technicians and labour. We believe that our professionalism, technical excellence, dedication to quality and broad range of services enable us to maintain long-standing relationships with our customers.

Direct control over our broad range of piling machinery and equipment

Our services require the use of specialised machinery and equipment. As at 30 April 2015, our gross book value of machinery and equipment amounted to approximately HK\$632.3 million. This fleet of machinery and equipment mainly consists of crawler cranes, oscillators, reverse circulation drills, drilling rigs, hammers grabs and vibrators. We also maintain inventory of steel casing to suit our customers' requirements of different sizes of large diameter bored piles. Please refer to the paragraph headed "Machinery and Equipment" in this section below for further details.

We believe that the condition of machinery and equipment is crucial to our operation process, in particular, our delivery of high quality work to our customers as well as ensuring the safety of our workers and therefore pay much attention to their maintenance. As at the Latest Practicable Date, we have a team of 27 employees responsible for the maintenance of our machinery and equipment. Currently, we have leased a depot with an area of about 180,000 sq.ft. for maintenance of our machinery and equipment, and storage of idle machinery, equipment and excess inventory. For further details of such depot, please refer to the paragraph headed "Properties" in this section below.

We believe that our investment in machinery and equipment allows us to have direct control and flexibility in deploying our resources, and enables us to exploit the market opportunities by bidding foundation projects of different sizes that offer attractive profit without the need to lease external machinery and equipment, which in turn minimizes our costs and over-reliance on external parties. We believe that all these capabilities represent significant competitive advantages over our competitors.

BUSINESS

Experienced and visionary management team

We believe that our highly-skilled and experienced management team, led by Mr. Chan and Mr. Yu, is a key to our growth and success. Mr. Chan has over twenty years of experience in the construction industry and has been leading our business with his acute commercial vision and widely-established networks that contribute to our growth and development. Mr. Yu has over twenty years of experience in the foundation piling industry and supervises all phases of our business operations to ensure that we maintain the highest standard of project quality and efficiency. Their experiences and technical know-how also give us a competitive edge in formulating successful tendering proposals and strategies.

Our Group recognizes the importance of training the next generation of senior management to support the continuity of our success. In particular, we believe that through the establishment of our Execution Panel and weekly meetings amongst members of our Execution Panel, not only are we able to enhance communication and transparency between different departments which allows us to respond to issues efficiently, we are also able to develop a sense of collective responsibility and strong team spirit in our managerial level. Members of our Execution Panel have an average of over 20 years of experience in the foundation piling industry in Hong Kong. As a result, we have built up a team of capable and experienced senior management to reinforce our ability to stay at the forefront of the competitive foundation piling market in Hong Kong.

Relentless focus on pleasant working environment, staff safety and training

We believe that our employees, including project managers, foremen, machinery operators, safety officers and technical personnel, are valuable resources of our Group. According to the Ipsos Report, the construction industry is suffering from a shortage of workforce, including both new entrants and skilled labour. As a result, the ability to retain current employees and attract new talents have become a key to maintain our leading position in the highly competitive construction industry.

Apart from monetary rewards, our Directors believe that a pleasant, healthy and safe working environment is an important factor that employees would consider when choosing to work in a construction company, and we consider this as one of our core corporate values and put this at the highest priority of every project. Our Directors believe that we have been at the forefront of changing the traditional image of working in construction sites and have been trying to provide a pleasant working environment for our employees. We advocate the slogan “快樂上班，平安回家” (“Work Happily and Return Home Safely”) to all our on-site workers. We provide safety training to our employees prior to commencement of each project. We also implement stringent safety measures during our operations and provide control and safety manuals to our employees. For each of the three years ended 31 December 2014 and the four months ended 30 April 2015, the accident rates in respect our Group’s employees were 17.9, 14.2, 13.4 and 2.0 per 1,000 workers, respectively. The accident rate at our construction sites was lower than the construction industry average in Hong Kong for the years ended 31 December 2012, 2013 and 2014. A comparison of the industry’s average accident rate and that of our Group’s for the four months ended 30 April 2015 is not available as there is no relevant industry average accident rate for such period as at the Latest Practicable Date.

BUSINESS

We believe that continuous staff training and development is a key to preserve our valuable human resources and also imperative to our emphasis on safety. Please refer to the paragraph headed “Employees” in this section below for further details of the training provided to our staff.

Our primary focus on providing pleasant working environment, advocating occupational safety and staff training and development permeate our corporate culture, which we believe gives us a premium reputation in the industry, and an advantageous position in retaining and attracting professional talents.

BUSINESS STRATEGIES

Our principal business objective is to achieve sustainable growth in our current business and to strengthen our capability to capture more business opportunities by executing the following strategies:

Continue to expand our scope of services

In order to complement our foundation business and provide more comprehensive services to our customers, we intend to expand the scope of our ancillary foundation services such as site formation works, road drainage works and demolition. At the same time, we intend to rely less on subcontractors and strive to directly engage in these ancillary works so as to have better control in the quality of the works we deliver to our customers.

A comparatively large scale foundation project will normally involve, apart from piling construction, many other types of ancillary foundation works. For such foundation project, we may have to subcontract certain works to external parties or choose not to submit tender after considering our capabilities, expertise and resources available at that time. In order to gain exposure and experience in areas of work which we intend to expand, we plan to develop strategic alliances with potential joint venture partners who have the resources, relevant qualifications and technical skills to tender jointly with us for and participate in technically complex or sizeable projects. In the long term, we aim at applying for additional licences, permits or qualifications required to allow us to expand our services to include a wider range of foundation works. We believe that expansion of our services will allow us more flexibility to tender for projects with different capability requirements. We also believe that this will minimise subcontracting of works and allow us to submit competitive tender proposals thereby increasing our profit margin.

Compete for sizeable foundation projects

During the Track Record Period, the awarded contract sums relating to our foundation piling projects ranged from about HK\$7.0 million to about HK\$379.9 million. We aim at increasing our market share by tendering for foundation projects with larger scale and contract sum. Nevertheless, our capacity to carry out foundation projects depends on the availability of our machinery and skilled workforce. In order to compete for sizeable foundation projects, we intend to enhance our project implementation capability and efficiency through acquiring new machinery, expanding our workforce and providing comprehensive trainings to our staff. In this regard, machinery including crawler cranes, hydraulic oscillators, reverse circulation drills, hammer grabs and other related accessory equipment and tools will be acquired from time to time in the next few years to expand our capacity.

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We will also replace those obsolete and less-efficient models to enhance our project implementation capability. As the new machinery will increase the overall useful life of our machinery, this will allow us to have more control in managing our resources. We believe that the acquisition of new machinery will minimise our cost of machinery leasing and enhance our tender success rate and efficiency.

For our workforce, given the shortage of skilled labour in the construction industry in Hong Kong, we intend to maintain competitive market remuneration and enhance fringe benefits for our staff and improve their working environment so as to create a more stabilised workforce. We intend to improve our research and development capabilities by recruiting skilled staff including qualified engineer. The objective is to strengthen our capabilities to maintain and modify our equipment so as to increase their functionality and adapt them to the specific requirements for different projects. We will also continue and extend our on-going training programs to our staff to improve their skills and their capabilities, so that they could perform their work more efficiently and effectively.

Our Directors believe that by continuous improvement in our operational capability and efficiency through acquisition of machinery and strengthening our workforce, we will be in a better position to compete for and carry out sizeable foundation works projects, and to maintain our leading position in the foundation industry in Hong Kong.

Improve our margins and profitability

We aim to continue to improve profitability by focusing on “design and build” contracts and strengthening our ability in cost control and efficiencies. Our Directors believe that our flexibility and capability in foundation design differentiate us from our competitors and these “design and build” contracts offer higher 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 site, the loading capacity of the superstructure and other specific requirements from the customer. Our alternative design generally incorporates the use of different types and less number of piles which is usually a more cost effective yet technically capable proposal compared to the original design contemplated in the tender documents. We plan to develop and upgrade our information technology programs and software for enhancement of our design capability and streamline the project implementation progress. We believe that this will enhance our competitiveness in our tender quotations while achieving higher profit margin.

On cost side, we will seek to reduce costs through implementing 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 subcontractors. These efforts will not only enable us to control our costs in a more efficient manner but will also ensure our ability in completing our projects on time so as to avoid unnecessary penalty due to any delay in completion.

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Capture the growing foundation works from public sector

In view of the increasing spending by the Hong Kong Government on public works projects and the current growth prospects for private development projects as a result of the Hong Kong Government's intention to stabilise the local property market by increasing housing supply in both the private and public sectors, our Directors believe that the value of construction work output in Hong Kong will continue to rise and the foundation works available will grow steadily. According to the Ipsos Report, the revenue of the foundation industry is expected to increase from about HK\$24.5 billion in 2015 to about HK\$51.8 billion in 2019, at a CAGR of about 20.6%.

During the Track Record Period, a majority of our revenue was derived from private sector customers. Given that we have obtained the requisite registrations and met the requirements from WBDB and the Housing Authority to undertake foundation projects in public sector, our Directors consider that there are plenty of opportunities for our Group to expand our market share in public sector. We believe that considering our proved track records and experiences in carrying out foundation works as either main contractor or subcontractor for foundation projects from public sector as well as our plan to acquire new machinery and expand our workforce to enhance our project implementation capability and efficiency, we are well positioned to capture the growing business opportunities in the public sector.

Pursue strategic geographical expansion and acquisitions

Our Group had been awarded one piling construction contract in Macau during the Track Record Period in 2011 which was completed in 2014. Through this project we gained the experience and enhanced our technical ability for carrying out foundation works in Macau. According to the Ipsos Report, the value of construction work output in Macau will continue to rise and the foundation works in the coming few years will grow steadily. Our Directors believe that the business opportunity in Macau provide an alternative market for our Group to further explore, in particular for those large scale foundation projects with sizeable contract sum and better margin. Going forward, our Group will continue to compete for commercially viable and attractive foundation contracts based in Macau if such opportunity arises. We also plan to pursue suitable acquisition opportunities to further expand our business scale. In identifying potential targets, we will consider various factors including the target's resources, qualification, expertise, experience and technical skills to undertake works that are complementary to ours, as well as the prospect of integration as a result of the acquisition and the commercial benefits of our Group in the transaction. As at the Latest Practicable Date, we have not identified any acquisition target or conducted any formal negotiation on potential acquisition.

To cope with our business expansion, our Directors also intend to acquire a warehouse for storage and maintenance of our machinery, equipment and tools. Currently, our Group leases a depot with an area of approximately 180,000 sq.ft. for maintenance of our machinery and equipment, storage of idle machinery, equipment and excess inventory in Yuen Long, Hong Kong. As continuing use of leased properties as warehouse from third party has many disadvantages such as risk of substantial increase in rental expenses and uncertainty in tenancy renewal upon expiry of the tenancy agreement

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and incurrence of relocation costs, our Directors will consider making an acquisition if our resources permit. As at the Latest Practicable Date, our Group had no specific target for acquisition and were not in any negotiation with any party for any acquisition. For details of the risk relating to leasing of our depot and securing suitable premises for maintenance and storage of our machinery and equipment, please refer to the paragraph headed “Properties” in this section below and the section headed “Risk Factors” in this prospectus.

BUSINESS OVERVIEW

Our services and contracts

Our services cover different kinds of foundation works, which can be broadly categorised as (i) piling construction (such as bored piling, percussive H-piling, socketed H-piling, mini-piling and sheet piling) and other ancillary services (such as ELS works, site formation and pile cap construction); and (ii) drilling and site investigation. A typical foundation project generally involves all these kinds of foundation works, with some variations depending on the structures to be built on the site. As a practice in the foundation industry in Hong Kong, piling construction works and other ancillary services for a foundation project are generally awarded by the developer or the project owner under a single contract to the main contractor who, depending on its capabilities, licenses, and resources, may take up all the works by itself or subcontract certain works to other subcontractors. On the other hand, because of the specific techniques and expertise involved, drilling and site investigation works are usually awarded separately. Generally speaking, a piling construction contract with ancillary services usually involves larger contract sum and covers longer period while a drilling and site investigation contract has smaller contract sum and takes shorter period to complete. During the Track Record Period, the awarded contract sum for our piling construction contracts (including ancillary services, if any) and drilling and site investigation contracts ranged from approximately HK\$7.0 million to approximately HK\$379.9 million, and from approximately HK\$12,000.0 to approximately HK\$47.7 million, respectively.

Our business of piling construction and other ancillary services is principally carried out by our wholly-owned subsidiaries, namely, Kin Wing Engineering, Kin Wing Foundations and Kinwing Macau while our drilling and site investigation business is carried out by our other wholly-owned subsidiaries, namely, DrilTech Ground, DrilTech Geotechnical and DrilTech Macau.

“Design and build” contracts and “build only” contracts

A “design and build” contract is a type of contract under which we can prepare and propose alternative foundation designs including the choice of pile types and foundation layout plans, and carry out the piling construction works. It is contrary to a “build only” contract where the piling construction works are carried out strictly according to the design provided by the customer. Contracts

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for drilling and site investigation works are normally “build only” contracts as they do not involve any design element. The table below sets out a breakdown of our Group’s turnover by type of contracts awarded during the Track Record Period:

Turnover by contract type	For the year ended 31 December						For the four months ended	
	2012		2013		2014		30 April 2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Design and build contracts	614,164	58.6	928,236	78.8	884,150	64.0	265,156	44.2
Build only contracts	434,530	41.4	250,088	21.2	497,339	36.0	334,669	55.8
	<u>1,048,694</u>	<u>100.0</u>	<u>1,178,324</u>	<u>100.0</u>	<u>1,381,489</u>	<u>100.0</u>	<u>599,825</u>	<u>100.0</u>

Our Directors believe that a competitive design for a foundation project is an important aspect of the tendering process because it directly affects the pricing of the tender and the likelihood of being awarded the contract. As at the Latest Practicable Date, our Group has a team of 11 professional design staff responsible for preparing more economical and technically capable foundation designs suited for the conditions and limitations of different sites and requirements from our customers. Our Directors believe that our capability in foundation design is one of the key factors contributing to our success. For further details on the preparation and submission of tender documents for “design and build” and “build only” contracts, please refer to the paragraph headed “Operating Procedures” in this section below.

Contracts as main contractor and as subcontractor

For piling construction contracts with ancillary services, we typically act as main contractor but sometimes also act as subcontractor depending on project nature, our assessment on profitability, project pipeline and availability of internal resources. For drilling and site investigation contracts, a majority of them are awarded to us as subcontractor but occasionally as main contractor for certain large scale projects involving ground investigation works that are usually undertaken by the Hong Kong Government. The table below sets out a breakdown of our Group’s turnover by our role as main contractor or subcontractor during the Track Record Period:

Turnover by our Group’s role	For the year ended 31 December						For the four months ended	
	2012		2013		2014		30 April 2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Main contractor	891,928	85.1	964,042	81.8	1,069,691	77.4	528,791	88.2
Subcontractor	156,766	14.9	214,282	18.2	311,798	22.6	71,034	11.8
	<u>1,048,694</u>	<u>100.0</u>	<u>1,178,324</u>	<u>100.0</u>	<u>1,381,489</u>	<u>100.0</u>	<u>599,825</u>	<u>100.0</u>

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Contracts from private sector and public sector

Capitalising on our registrations and qualifications, we are able to directly enter into foundation works contracts with both the private and public sectors in Hong Kong. Our customers in private sector include property developers, construction companies, Urban Renewal Authority, charity organisations as well as their respective main contractors. Our customers in public sector include different departments of the Hong Kong Government, its related organisations and institutional bodies such as the Housing Authority, the Housing Society, CEDD, Highways Department and Architectural Services Department. The table below sets out the contribution from the respective customer segments to our total turnover during the Track Record Period:

Turnover by customer segment	For the year ended 31 December						For the four months ended	
	2012		2013		2014		30 April 2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Private sector	858,397	81.9	1,133,598	96.2	1,278,919	92.6	429,305	71.6
Public sector	190,297	18.1	44,726	3.8	102,570	7.4	170,520	28.4
	<u>1,048,694</u>	<u>100.0</u>	<u>1,178,324</u>	<u>100.0</u>	<u>1,381,489</u>	<u>100.0</u>	<u>599,825</u>	<u>100.0</u>

Under our practice of customer classification, despite the nature of our projects, our customers are divided into private or public sector customers according to the sector to which the contracting party belongs. As such, even for those foundation projects of which the ultimate employers are from the public sector, we classify them as contracts from private sector customers if we only act as subcontractor and enter into contracts with the main contractors in the private sector which we regard as our direct customers. Amongst the revenue contributed from private sector customers for each of the three years ended 31 December 2014 and the four months ended 30 April 2015, so far as is known to our Directors, approximately 12.3%, 15.0%, 9.2% and 7.6% were related to government's projects or infrastructure projects in which we acted as subcontractor. In general, unlike private sector projects, public sector projects are "build only" contracts which we are unable to capitalise on our design capability to enhance our profit margin. The contract terms for private and public sector projects are generally similar. Please refer to the paragraph headed "Customers — Key contract terms with our major customers" in this section below for further details. We consider that the credit risk for public sector projects is relatively lower compared to private sector projects. However, we consider that public sector projects generally have tighter control and checking on compliance for safety and environmental rules and regulations.

During the Track Record Period, most of our revenue was derived from private sector customers. It was due to the surge in demand for and the corresponding supply of private residential and commercial buildings in Hong Kong, and hence resulting in the increase in our contracts from private sector customers. We recognise the growth in business opportunity in public sector because of the Hong Kong Government's policies on increasing public residential housing and investment in

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infrastructure, both representing a key driver of construction projects in Hong Kong in the coming years. For each of the three years ended 31 December 2014 and the four months ended 30 April 2015, revenue contribution from the public sector customers accounted for approximately 18.1%, 3.8%, 7.4% and 28.4% respectively of our total revenue. The drop in revenue contribution from the public sector customers in 2013 was due to the fact that we had been engaged in a sizable project from the Housing Authority between 2012 and 2013 and did not obtain other new contracts from public sector of comparable size until 2014 due to limitation of our resources and capacity. In September 2014, we obtained a sizeable piling construction contract from the Housing Authority with a contract sum of approximately HK\$379.9 million, which resulted in the increase in revenue contribution from public sector customers for the four months ended 30 April 2015. While we believe that our Group will continue to benefit from the thriving construction and foundation works from private sector in Hong Kong, it is our strategy to capture the growing business opportunities in the public sector. Nevertheless, we recognize the importance of, and will continue to maintain, a well-diversified customer base while not being over-reliant on the dynamics of a single market segment. Our Group will carefully examine our resources available at the relevant time and take a balanced approach when submitting tenders for private sector projects and public sector projects. Opportunities in the market are ever changing and we will follow the market where business opportunities for higher revenue and profitability exist.

Contracts completed during the Track Record Period

Piling construction and other ancillary services

During the Track Record Period, we have completed a total of 47 piling construction contracts including other ancillary services. The following table sets out brief details of our top ten contracts in terms of contract sum regarding piling construction and other ancillary works completed by us during the Track Record Period, in descending order:

No.	Sector of customer	Role	Type of contract	Type of works	Project period		Contract sum	Revenue recognized during the Track Record Period
					From	To		
					<i>(Note 1)</i>		<i>(Note 2)</i>	<i>Approximate HK\$ million</i>
P-1	Private	Main contractor	Design & build	Bored piles, sheet piles, ELS and pile cap	Oct-12	Jan-14	294.4	294.4
P-2	Public	Main contractor	Build only	Bored piles, socketed H-piles, mini-piles, pile cap & ELS	Apr-11	Nov-12	239.7	175.8 <i>(Note 3)</i>
P-3	Private	Main contractor	Design & build	Bored piles, pile cap and ELS	Feb-12	Oct-13	221.3	221.3
P-4	Private	Main contractor	Design & build	Bored piles, socketed H-piles, sheet piles wall, grout curtain, ELS & cap basement works	Jun-13	Dec-14	178.6	178.6

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No.	Sector of customer	Role	Type of contract	Type of works	Project period		Contract sum	Revenue recognized during the Track Record Period
					From	To		
					<i>(Note 1)</i>		<i>(Note 2)</i>	
							<i>Approximate HK\$ million</i>	
P-5	Private	Subcontractor	Build only	Bored piles, sheet piles & king post works	Aug-13	Aug-14	175.1	175.1
P-6	Private	Main contractor	Design & build	Bored piles, steel H-piles, pipe piles, ELS and pile cap	Mar-12	Dec-13	166.3	166.3
P-7	Private	Main contractor	Design & build	Bored pile, socketed H-piles, sheet piles, pile cap and ELS	Jun-11	Jan-13	139.6	69.9 <i>(Note 3)</i>
P-8	Private	Main contractor	Design & build	Bored piles, steel H-piles, sheet piles, pile cap and ELS	Apr-12	Feb-13	130.4	130.4
P-9	Private	Main contractor	Design & build	Bored piles, driven H-piles & sheet piles wall works	Aug-13	Jan-15	114.9	114.9
P-10	Private	Main contractor	Design & build	Site formation, bored piles, mini-piles, socketed H-piles, soldier pile wall, pile cap, pipe pile wall	Mar-13	Dec-14	99.8	97.6 <i>(Note 4)</i>
Sub-total							1,760.1	1,624.3
Other 37 contracts completed during the Track Record Period							1,264.9	1,091.3
							<u>3,025.0</u>	<u>2,715.6</u>

Drilling and site investigation

During the Track Record Period, we have completed a total of 141 drilling and site investigation contracts. The following table sets out brief details of our drilling and site investigation contracts completed during the Track Record Period with contract sum exceeding HK\$15.0 million, in descending order:

No.	Sector of customer	Role	Type of works	Project period		Contract sum	Revenue recognized during the Track Record Period	
				From	To			
					<i>(Note 1)</i>		<i>(Note 2)</i>	
							<i>Approximate HK\$ million</i>	
D-1	Public	Main contractor	Site investigation, drillholes, trial pits and slope strippings	Dec-11	Mar-14	59.9	59.4 <i>(Note 3)</i>	

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No.	Sector of customer	Role	Type of works	Project period		Contract sum	Revenue recognized during the Track Record Period
				From	To		
				<i>(Note 1)</i>		<i>(Note 2)</i>	
						<i>Approximate HK\$ million</i>	
D-2	Private	Main contractor	102 vertical boreholes, 12 slope stripping, 14 coreholes, 19 inclined boreholes, 117 trial pit/trenches	Jul-10	Nov-12	44.8	5.9 <i>(Note 3)</i>
D-3	Private	Subcontractor	326 grout holes for toe grout and 1,205 shear pin	Jun-11	Aug-12	36.3	34.3 <i>(Note 3)</i>
D-4	Private	Subcontractor	274 interface and 14 full core	Aug-13	Mar-15	22.8	22.1 <i>(Note 4)</i>
D-5	Private	Subcontractor	587 drillholes	Sep-12	Jan-15	20.3	20.3
Sub-total						184.1	142
Other contracts with contract sum of less than HK\$15 million completed during the Track Record Period						241.3	177.2
						425.4	319.2

Notes:

- (1) The project period covers the duration of our works with reference to the commencement date and the completion date of the relevant project set out in our record or in the payment certificates issued by our customer or their authorized persons, or with reference to the practical completion certificate issued by the relevant project architect or the completion report issued by us.
- (2) Contract sums of completed projects refer to the accumulated certified amounts based on the most updated payment certificates issued by our customers or their authorized persons.
- (3) The works of the relevant projects were commenced prior to the Track Record Period and certain portion of the revenue had already been recognized before. Thus the revenue recognized during the Track Record Period for these projects was less than their respective contract sums.
- (4) The final accounts of the relevant projects had not been issued as at 30 April 2015. Therefore the payment certificates for the remaining portion of the revenue had not been received by us and the entire contract sum was not fully recognized during the Track Record Period.
- (5) All drilling and site investigation contracts completed during the Track Record Period were “build only” contracts.

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Contracts completed after the Track Record Period and up to the Latest Practicable Date

Subsequent to the Track Record Period and up to the Latest Practicable Date, our Group has further completed the following contracts:

No.	Sector of customer	Role	Type of contract	Type of works	Estimated project period		Contract sum	Accumulated amount certified as at the Latest Practicable Date	Percentage of works certified as at the Latest Practicable Date	Outstanding contract sum as at the Latest Practicable Date
					From	To				
					(Note 1)		(Note 2)		(Note 3)	(Note 2)
							Approximate HK\$ million			Approximate HK\$ million
<i>Piling construction and other ancillary services</i>										
P-11	Private	Main contractor	Design & build	Bored piles, socketed H-piles, sheet piles, pipe piles, ELS and pile cap	Feb-14	Jul-15	238.0	233.1	98%	4.9
P-12	Private	Main contractor	Design & build	Bored piles, open excavation and pile cap works	Aug-14	Jul-15	82.3	82.3	100%	—
P-13	Private	Main contractor	Design & build	Bored piles, sheet piles, ELS and pile cap works	Aug-14	May-15	32.5	32.3	99%	0.2
<i>Drilling and site investigation</i>										
D-6	Public	Main contractor	Build only	Ground investigation works and as per works order	Apr-13	Jun-15	43.9	43.9	100%	—
D-7	Private	Subcontractor	Build only	290 drillholes	Apr-13	Jun-15	16.5	16.5	100%	—
D-8	Private	Subcontractor	Build only	Ground investigation works and laboratory tests	Jan-13	Aug-15	6.3	6.3	100%	—
							419.5	414.4	—	5.1

Contracts on hand as at the Latest Practicable Date

As at the Latest Practicable Date, the awarded contract sum for all of our contracts on hand (including contracts in progress and contracts yet to be commenced) amounted to approximately HK\$3,240.6 million.

The following table sets out brief details of our Group's contracts on hand as at the Latest Practicable Date, in descending order in terms of contract sum:

No.	Sector of customer	Role	Type of contract	Type of works	Estimated project period		Contract sum	Accumulated amount certified as at the Latest Practicable Date	Percentage of works certified as at the Latest Practicable Date	Outstanding contract sum as at the Latest Practicable Date
					From	To				
					(Note 1)		(Note 2)		(Note 3)	(Note 2)
							Approximate HK\$ million			Approximate HK\$ million
<i>Piling construction and other ancillary services</i>										
Ongoing P-1	Public	Main contractor	Build only	Bored piles, socketed H-piles, sheet piles, ELS and pile cap works	Sep-14	Dec-15	379.9	313.6	83%	66.3

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No.	Sector of customer	Role	Type of contract	Type of works	Estimated project period		Contract sum	Accumulated amount certified as at the Latest Practicable Date	Percentage of works certified as at the Latest Practicable Date	Outstanding contract sum as at the Latest Practicable Date
					From	To				
					(Note 1)		(Note 2)		(Note 3)	(Note 2)
							<i>Approximate HK\$ million</i>			<i>Approximate HK\$ million</i>
Ongoing P-2	Private	Main contractor	Build only	Bored piles, socketed H-piles, sheet pile wall, ELS and pile cap works	Nov-13	Nov-15	308.0	271.5	88%	36.5
Ongoing P-3	Private	Main contractor	Design & build	Bored piles, socketed H-piles, sheet piles, ELS and pile cap works	Jun-12	Dec-15	279.0	219.4	79%	59.6
Ongoing P-5	Public	Main contractor	Design & build	Hoarding, bored piles, socketed H-piles, sheet piles, ELS, pile cap and tree works	Dec-14	Apr-16	220.0	94.1	43%	125.9
Ongoing P-6	Private	Main contractor	Design & build	Site formation, socketed H-piles, ELS and pile cap works	Aug-14	Jul-16	204.3	90.3	44%	114.0
Ongoing P-7	Private	Subcontractor	Build only	Bored piling works	May-15	May-16	183.0	16.3	9%	166.7
Ongoing P-8	Private	Main contractor	Build only	Bored piling works	May-15	May-16	160.6	4.2	3%	156.4
Ongoing P-9	Private	Main contractor	Design & build	Bored piles, socketed H-piles, sheet piles, pipe piles and pumping test	Mar-15	Aug-16	152.7	57.2	37%	95.5
Ongoing P-10	Private	Main contractor	Design & build	Site formation, mini-piles & pile cap works	Jun-14	Nov-15	88.8	80.1	90%	8.7
Ongoing P-12	Private	Main contractor	Design & build	Bored piles, sheet piles, ELS and pile cap works, basement construction as optional works	Jan-15	Mar-16	80.0	30.7	38%	49.3
Ongoing P-13	Private	Main contractor	Design & build	Bored piles, socketed H-piles, sheet piles, pipe piles and grout curtain	Jan-15	Feb-16	46.0	32.3	70%	13.7
Ongoing P-14	Private	Main contractor	Build only	Bored piles, sheet piles, grout curtain, ELS and pile cap	Dec-14	Feb-16	44.0	23.3	53%	20.7
Ongoing P-15	Private	Subcontractor	Build only	Bored piling works	Nov-12	Dec-15	39.9	16.7	42%	23.2
Ongoing P-17	Private	Main contractor	Design & build	Bored piles, socketed H-piles, sheet piles, ELS and pile cap works	Oct-14	Mar-16	30.8	23.7	77%	7.1
New P-01	Private	Main contractor	Design & build	Bored piles, socketed H-piles, sheet piles, grout curtain, ELS and pile cap	Aug-15	Jul-16	335.8	22.0	7%	313.8
New P-02	Private	Main contractor	Design & build	Demolition, bored piles, sheet piles, socketed H-piles, pipe piles, pile cap & ELS works	May-15	May-17	315.0	8.8	3%	306.2
New P-03	Private	Main contractor	Design & build	Foundation, ELS and pile caps works	Oct-15	Sep-16	167.0	—	0%	167.0

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No.	Sector of customer	Role	Type of contract	Type of works	Estimated project period		Contract sum	Accumulated amount certified as at the Latest Practicable Date	Percentage of works certified as at the Latest Practicable Date	Outstanding contract sum as at the Latest Practicable Date
					From	To				
					(Note 1)		(Note 2)		(Note 3)	(Note 2)
							<i>Approximate HK\$ million</i>			<i>Approximate HK\$ million</i>
New P-04	Private	Subcontractor	Design & build	Bored piles, pile cap and raft footing for landscape area	Oct-15	Apr-16	35.8	—	0%	35.8
New P-05	Private	Main contractor	Design & build	Foundation and ELS works	Sep-15	Aug-16	22.2	—	0%	22.2
Sub-total for piling construction and other ancillary services							<u>3,092.8</u>	<u>1,304.2</u>		<u>1,788.6</u>
<i>Drilling and site investigation</i>										
Ongoing D-18	Private	Subcontractor	Build only	About 450 drillholes	May-14	Dec-15	47.7	45.0	94%	2.7
Ongoing D-19	Public	Subcontractor	Build only	Ground investigation Urban (Term contract)	Jun-15	May-16	44.8	—	0%	44.8
Ongoing D-21	Public	Main contractor	Build only	Site drillholes, investigation trial pits and slope strippings	May-14	May-16	28.2	13.4	48%	14.8
Ongoing D-23	Private	Subcontractor	Build only	158nos. drillholes	Sep-14	Dec-15	7.5	7.1	95%	0.4
Ongoing D-25	Private	Subcontractor	Build only	270 drillholes	Oct-13	Nov-15	5.4	4.8	89%	0.6
Ongoing D-26	Private	Subcontractor	Build only	Ground investigation, interface coring and full coring	Apr-13	Nov-15	4.6	3.4	74%	1.2
Ongoing D-27	Private	Subcontractor	Build only	28 drillholes	Jun-14	Nov-15	4.4	1.1	25%	3.3
Ongoing D-28	Private	Subcontractor	Build only	About 40 drilling works	Oct-14	Nov-15	2.9	2.7	93%	0.2
Ongoing D-29	Private	Subcontractor	Build only	Preliminary ground investigation works	Jun-15	Dec-15	1.4	1.2	86%	0.2
New D-01	Private	Subcontractor	Build only	Ground investigation works and as per works order	Aug-15	Nov-15	0.6	0.58	97%	0.02
New D-02	Public	Main contractor	Build only	Ground investigation works and as per works order	May-15	Apr-16	0.3	—	0%	0.3
Sub-total for drilling and site investigation							<u>147.8</u>	<u>79.3</u>		<u>68.5</u>
TOTAL							<u>3,240.6</u>	<u>1,383.5</u>		<u>1,857.1</u>

Notes:

- (1) The commencement of estimated project period is based on our record or the letter of award or the payment certificates issued by our customers or their authorized persons. The estimated completion date of project is determined with reference to our record or the relevant letter of award which normally sets out the duration of works from its commencement.
- (2) Contract sum and outstanding contract sum as at the Latest Practicable Date exclude all contingent and/or provisional contract amounts set out in the respective contracts, if any. A provisional contract amount is a sum of money provided

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in the contract by our customers for costs which cannot be entirely foreseen, defined or detailed at the time the tendering documents are issued. A contingency contract amount is an amount of money set aside by the customers to cover additional costs incurred for unforeseen works. The outstanding contract sum represents the amount of the original contract sum after deduction of the accumulated amount certified as at the Latest Practicable Date.

- (3) It represents the amount of works certified based on the certificates issued by our customers on the respective projects up to the Latest Practicable Date as a percentage of the original contract sum.

As at the Latest Practicable Date, our Directors expect that the completion dates of the above projects will have no material deviation from the estimated project period.

Project outside Hong Kong

We carry out our business principally in Hong Kong. During the Track Record Period, we had only undertaken one piling construction project with contract sum of approximately MOP 180.3 million in Macau for which we acted as a subcontractor. Our Group employed specialist logistics company to ship the required machinery and construction materials and seconded about 60 of our workers to Macau for carrying out of works for the project. The required quotas for non-Macau resident workers were provided by the main contractor. We had also subcontracted part of the works to a local subcontractor in Macau.

The piling construction project in Macau as mentioned above was awarded to us in 2011 and had already been completed in August 2014. Save as mentioned above, our Group did not have any project undertaken outside Hong Kong during the Track Record Period or currently in place as at the Latest Practicable Date.

DESCRIPTION OF OUR FOUNDATION WORKS

We are principally engaged in the provision of different kinds of foundation works in Hong Kong, which can be broadly categorised as (i) piling construction (such as bored piling, percussive H-piling, socketed H-piling, mini-piling and sheet piling) and other ancillary services (such as ELS works, site formation and pile cap construction); and (ii) drilling and site investigation. The major types of foundation works undertaken by us (with illustrative diagram, where applicable) are set out below:

Piling construction

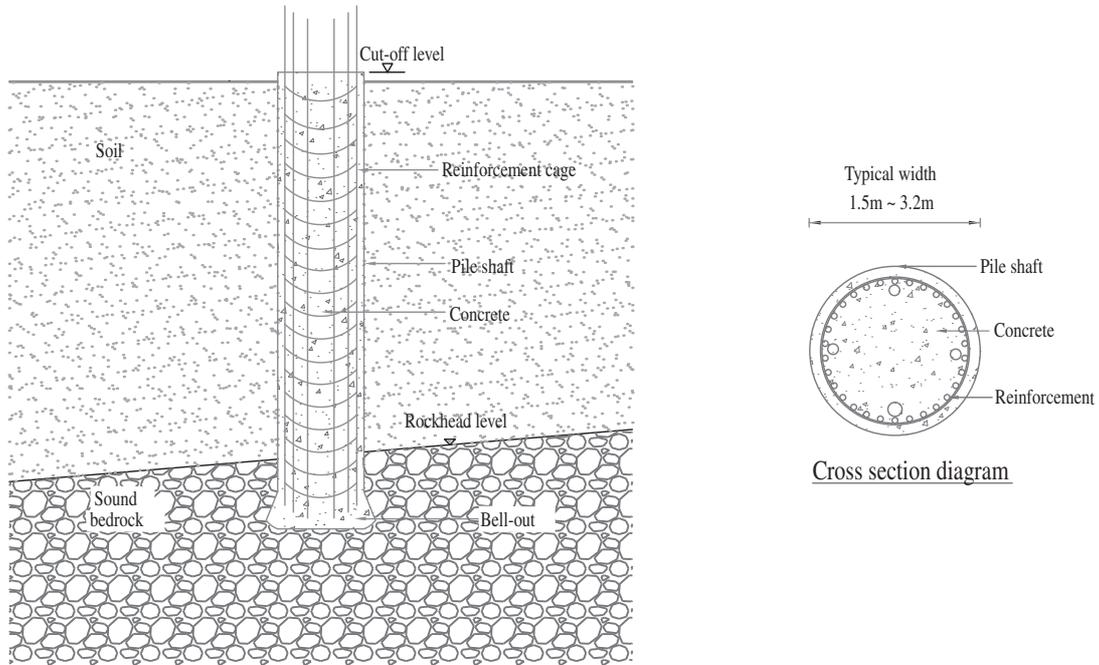
Our piling construction business has been developed since establishment and is now our major line of business. Piles are columnar elements, which are used to support a structure by transferring the load of a structure to the strong ground below, such as rock or stronger subsoil. Piles are installed in ground by either excavation of pile bore with machine or driving manufactured/precast pile sections into the ground.

A number of factors are considered when determining the most appropriate pile type, such as ground conditions, nature of loading, effects on surrounding structures and environment, site constraints, safety, cost and programme etc.

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Our Group specializes in bored pile design and construction. During the Track Record Period, a majority of our piling construction contracts involved bored piles. Many of them are "design and build" contracts.

Bored piles

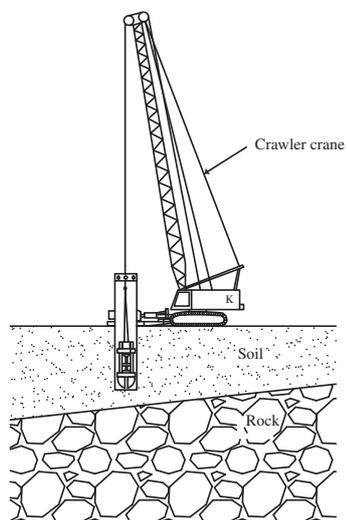


Structure of a bored pile

Large diameter bored piles are used to support heavy loads of tall buildings or highway structures such as viaducts, with diameter generally exceeding 0.75m. We are capable of installing bored piles with diameters from 1.5m to 3.2m and with a maximum length of about 100m. The bored piling works undertaken by us are mainly with diameters ranging from 2.5m to 3.2m, with a maximum length of up to 100m.

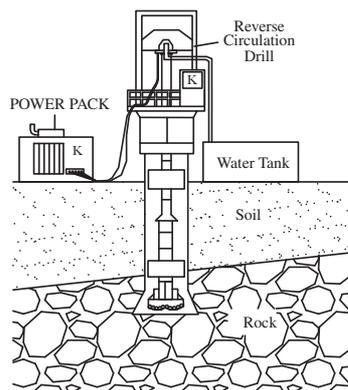
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Bored piles are formed by machine grabbing or reverse circulation drill to the required level to form a bored hole, insertion of reinforcement cage into the bored hole and finally filling the bored hole with concrete. Normally the pile bore is supported by temporary steel casing to prevent collapse of the bore. The diagrams below illustrate the typical procedure of construction of large diameter bored piles:

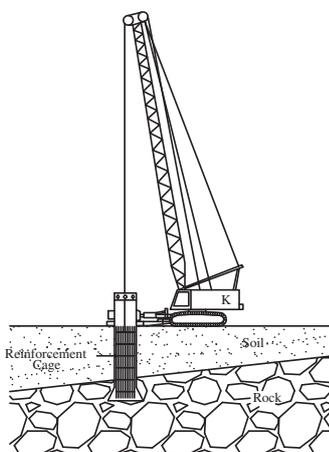


Step 1a: Excavation by grabbing

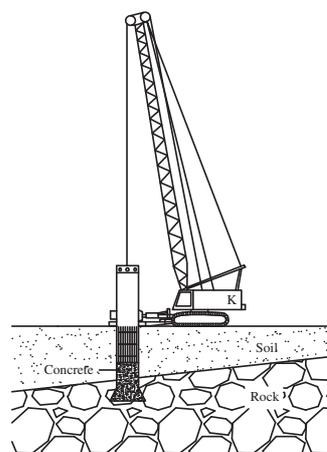
or



Step 1b: Rock drilling by reverse circulation drill



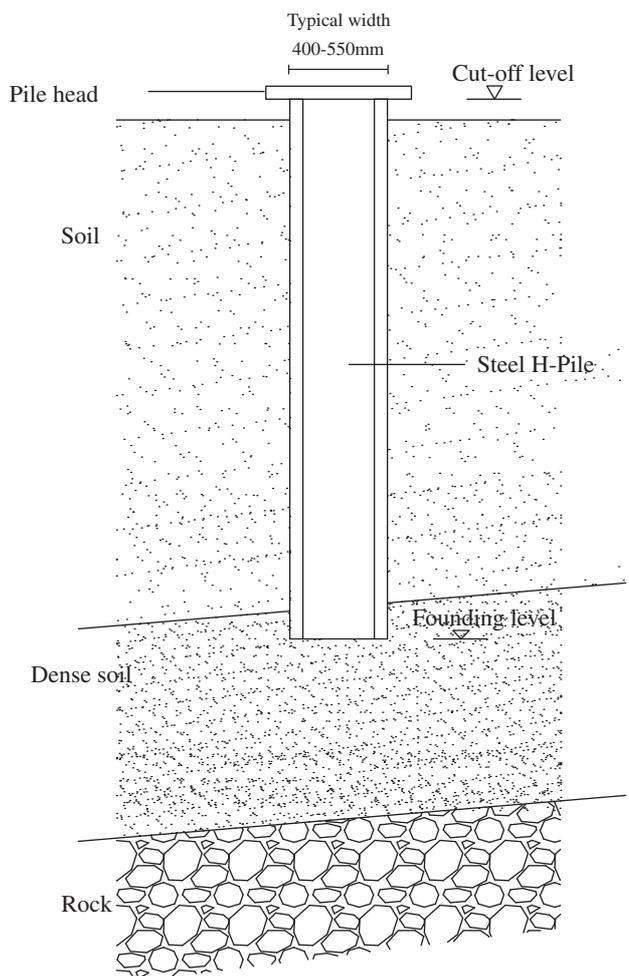
Step 2: Install reinforcement cage



Step 3: Pour concrete and withdraw temporary steel casing

Large diameter bored piles in Hong Kong are designed as end-bearing and founded on rock. The load bearing capacity of large diameter bored piles can be increased by constructing a bell-out at the pile base or socketing the pile into rock.

In addition to its higher load bearing capacity, construction of large diameter bored piles induces less nuisance to the public in terms of noise and vibration, which makes it suitable at sites with more sensitive receivers.

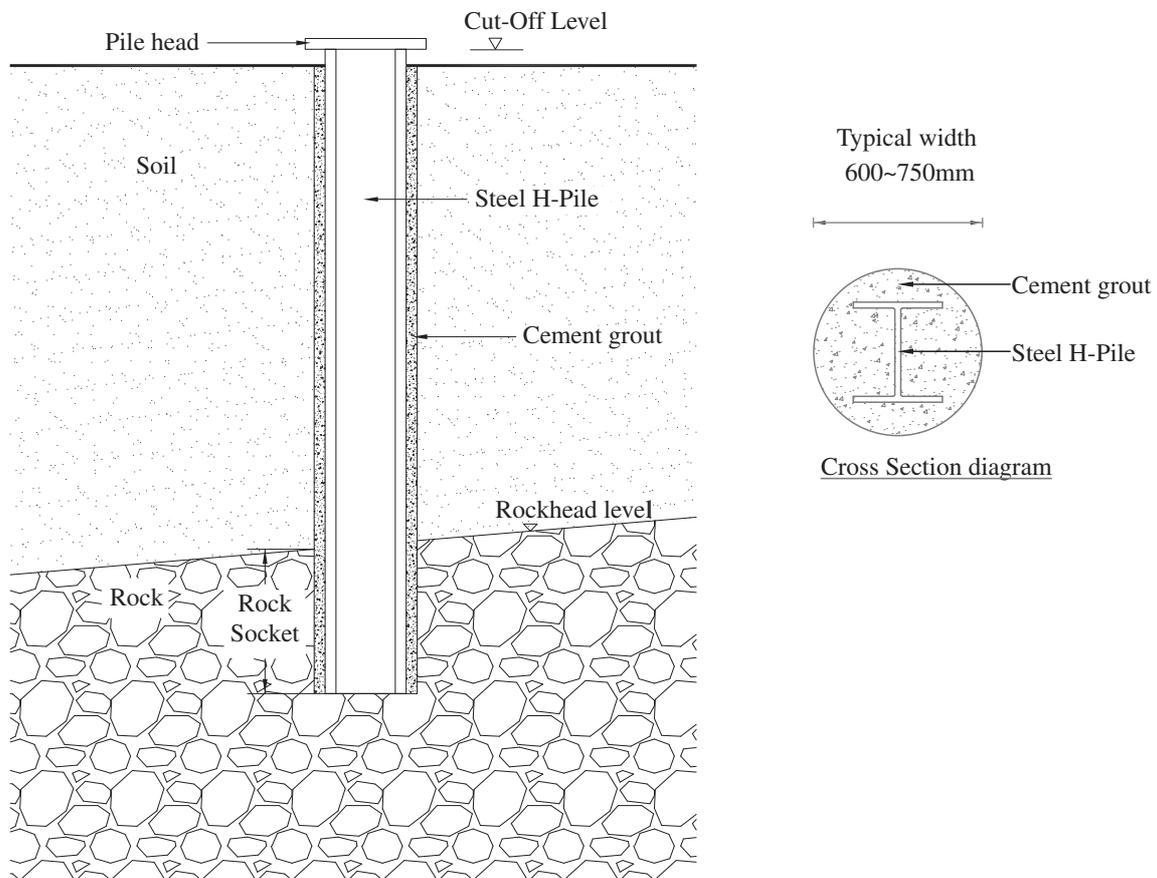
Percussive steel H-piles

Structure of a percussive steel H-pile

Percussive steel H-piles are installed to the required depth by driving the steel H-pile with hydraulic hammer or drop hammer. Percussive steel H-piles in Hong Kong are mainly designed as 'friction piles', where the pile tip is not found on rock, but on dense soil. This reduces the length of the pile to be installed, and hence reduces the risk of pile installation. As percussive steel H-pile is a type of 'friction pile', the load bearing capacity relies on the friction between the contacted surface area of the pile and soil.

Percussive steel H-piles have the advantages of being easy to handle, carrying high compressive loads and good drivability which generally allows the steel H-piles to be driven to a deep ground. Since the size of the machinery used for percussive steel H-piling works is smaller compared to those used for bored piles and occupies less space, percussive steel H-piles are solution for foundation works at site with limited space. As a result of these factors, percussive steel H-piles have been widely used in Hong Kong in the past and nowadays.

Socketed Steel H-piles

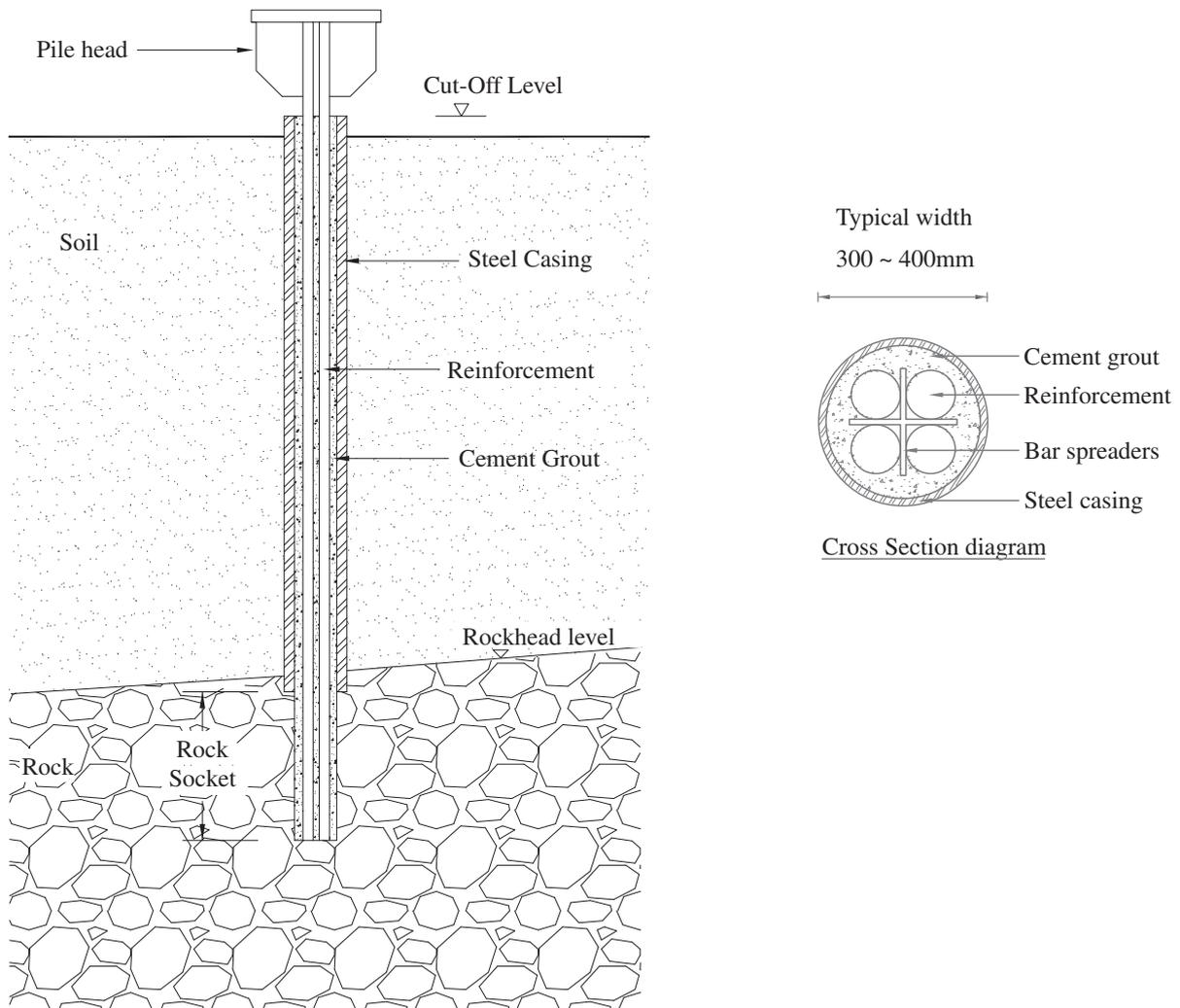


Structure of a socketed steel H-pile

Socketed steel H-pile is installed by forming a prebored hole in ground with socket in the rock, placing a steel H section in the prebored hole and subsequently filling it with cement grout. The common size of prebored hole is 610mm. The loading capacity of socketed steel H-pile comes from the skin friction between the grout and rock.

The major machinery used for installation of socketed steel H-pile is rotary hydraulic boring rig. It is used to form prebored holes on the ground by drilling through the soil and the rock to form the required rock socket. The size of machinery used for socketed H-piling works is also smaller compared to those used for bored piles and occupies less space, which makes it suitable for foundation works at site with limited space. It also has the advantages of generating less noise and vibration generated, therefore causing less nuisance to the public.

Mini-piles

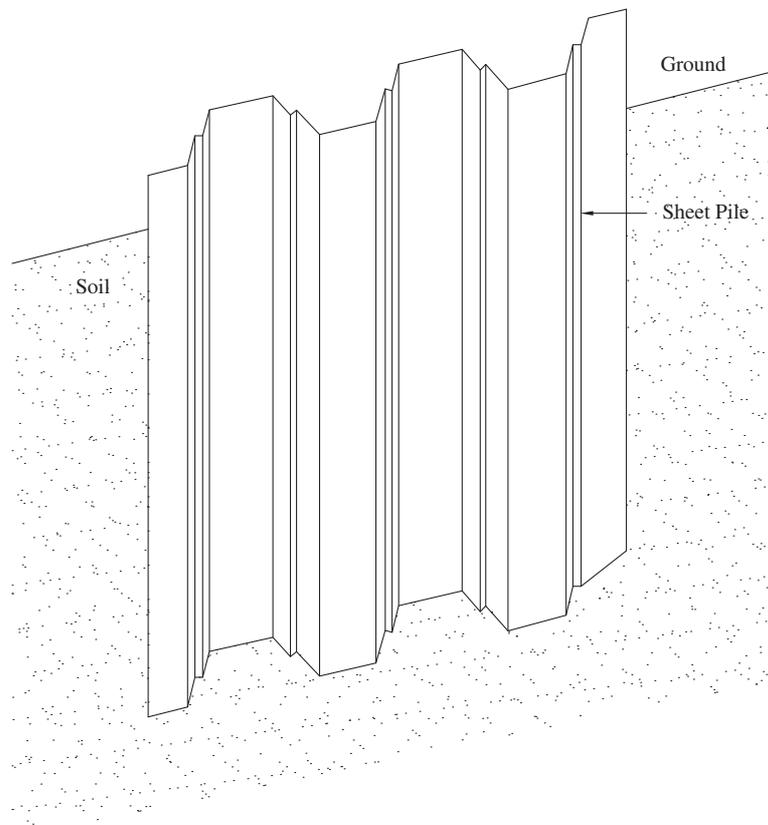


Structure of a mini-pile

Mini pile is similar to socketed steel H-pile, but smaller in size. Mini-piles generally have a diameter of not exceeding 400mm. A mini-pile is installed by forming a prebored hole in ground with socket in the rock, placing the reinforcement bars in the prebored hole and subsequently filling with cement grout.

The major machinery for installation of mini-piles is hydraulic boring rig, which is smaller than those used for socketed steel H-piles. Because the size of the machinery for mini-pile construction is the smallest among all pile types, mini-piles are suitable for sites with small area or difficult access. This type of piles also has the advantages of generating less noise and vibration, therefore causing less nuisance to the public.

Sheet piles



A general look of sheet pile wall

Sheet piles are thin interlocking steel sheets. They are designed as temporary retaining wall or cofferdams erected to enable subsequent temporary or permanent works, such as bulk excavation and pile cap works. Sheet piles have the advantages of easy handling and driving. They are also light weight, reusable and easy to adapt to the required length by either welding or bolting. Sheet piles are installed by driving or vibrating them to the required depth.

Drilling and site investigation

Our drilling and site investigation business is principally carried out through our wholly-owned subsidiaries, DrilTech Ground and DrilTech Geotechnical, which offer a wide range of drilling services for ground investigation, geotechnical and foundation engineering works. The scope of our drilling and site investigation works includes:

- exploratory drilling, boring, excavation and probing of land for obtaining information on ground conditions, and includes the installation of instrument, sampling, field testing in boreholes, and any other associated site operations;
- pre-drilling for foundation works;

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- proof-drilling for cast-in-place concrete foundation, mini-piles and socketed H-piles; and
- field testing of ground bearing capacity.

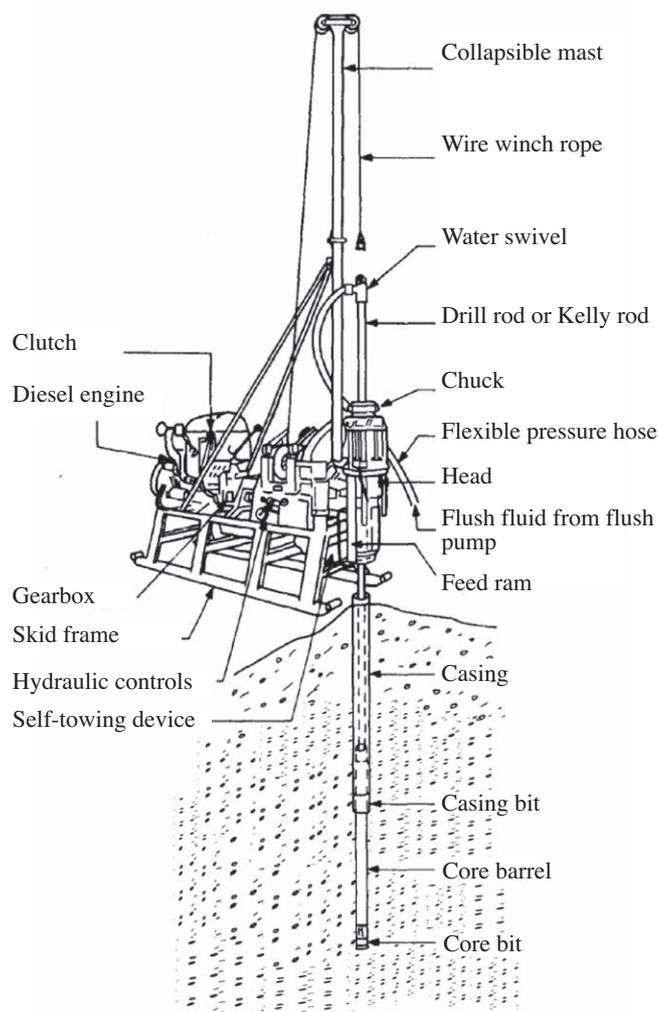
Typically, prior to the commencement of any foundation works, project owners or their professional consultants will engage drilling and site investigation specialists to carry out site investigation works for the purpose of obtaining information as to the geological and sub-soil conditions of the sites and the surrounding areas to select the type and extent of piles required for the superstructure to be developed. At dense urban development sites, investigation may be extended to cover factors that may affect adjacent properties including slopes, pipes conveying water, gas or sewage. Such investigation information will also be included in the tender documents to potential foundation works contractors.

Apart from site investigation prior to the commencement of foundation works, our drilling and site investigation team is also involved during the course of piling construction. Normally piling construction contractors will engage drilling and site investigation specialist to perform pre-drilling works in order to ascertain the depth of piles required to reach the specific level. Generally after completion of our piling construction project, drilling and site investigation specialist will be engaged to perform testing works for the piles constructed to ascertain their depth and quality.

In general, drilling and site investigation works are carried out by taking samples of soil and/or rock from various spots and at various depths on the site. For pile testing works, concrete samples will be taken out by drilling certain portion of the piles. Laboratory testing will then be carried out against the samples collected and an investigation report will be produced.

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The machinery involved in drilling and site investigation usually only involves drilling rigs, which are less in number and size compared with that required for piling construction. The following diagram illustrates the structure of a typical drilling rig:



As a member of The Hong Kong Construction Association, we are involved in formulating and improving standards of best practice, technique, training and cooperation within the industry.

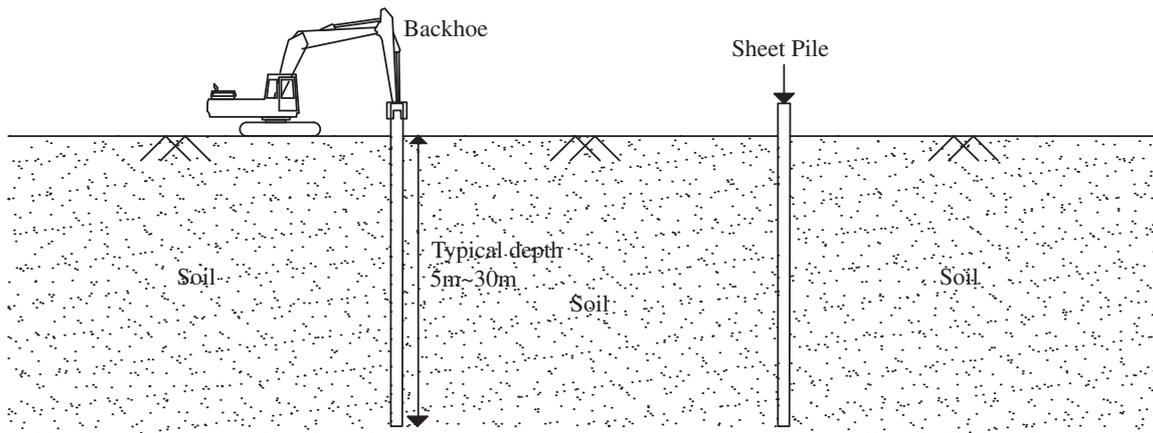
Other ancillary services

Apart from piling construction works, a typical foundation contract may also involve other ancillary services such as ELS works, site formation, or pile cap construction. We usually engage subcontractors to undertake such ancillary works in order to concentrate our resources, including workers and time costs of our management, in our piling construction business. Further details of subcontracting arrangements are set out under the paragraph headed “Suppliers and Subcontractors — Subcontracting” in this section below.

ELS works

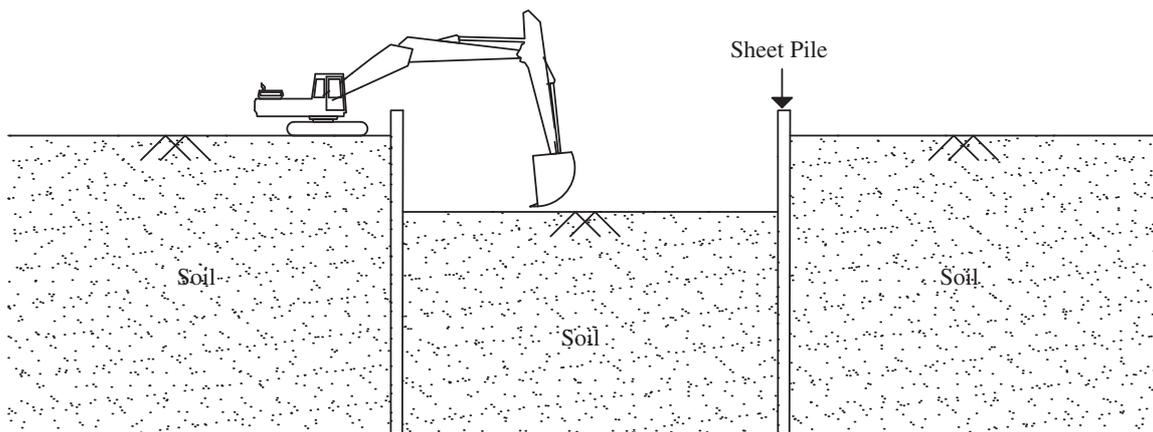
ELS works are typically used to provide support for excavation of the existing ground for the purpose of construction of pile caps, basement and underground structures. It involves the procedures of installation of sheet piles, excavation, installation of waling and strut, and further excavation. The following diagrams illustrate the typical construction process of ELS works:

Step 1: Install sheet pile wall / pipe pile wall



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

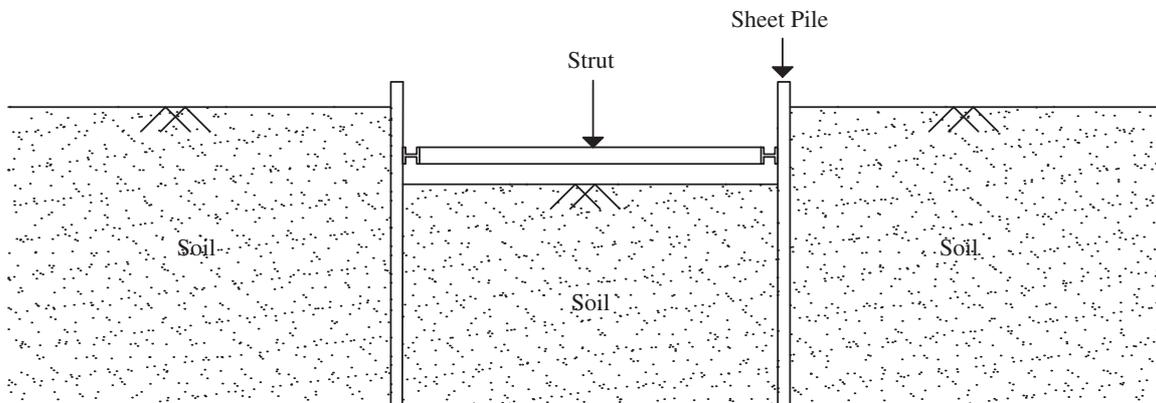
Step 2: Excavate



After inserting the sheet pile wall, excavation will begin between the sheet pile walls.

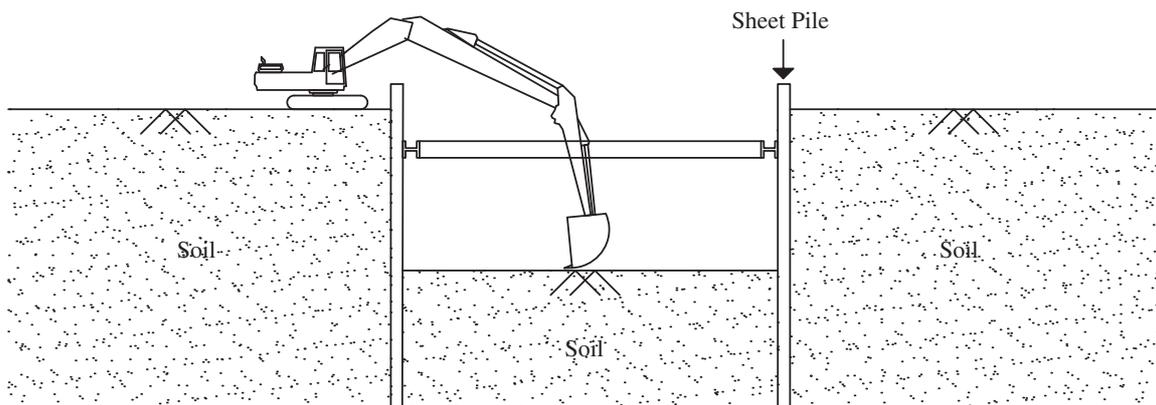
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Step 3: Install lateral support and further excavate



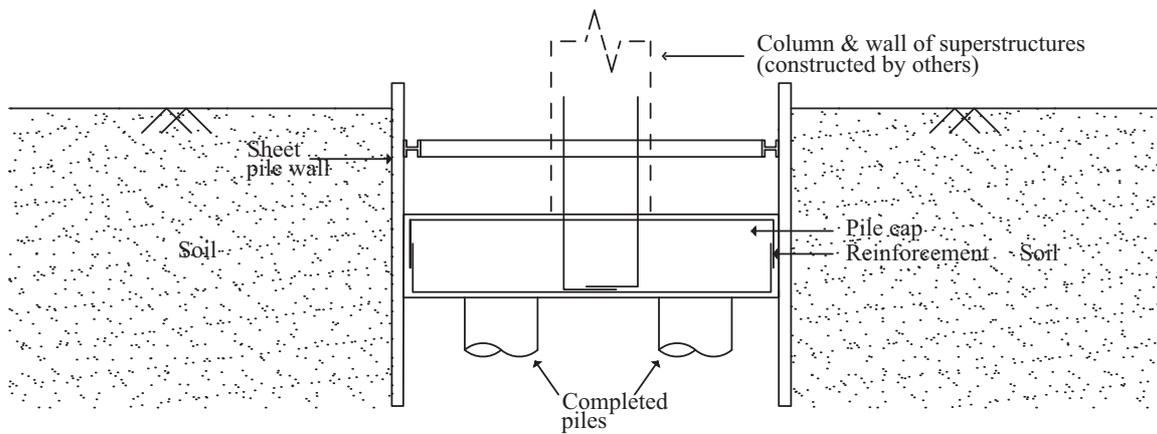
As excavation begins to go below ground level, lateral support is added to provide support to the sheet pile wall and keep the sheet pile wall stable to perform deeper excavation.

Step 4: Complete lateral support work



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

Pile cap construction



Pile caps are reinforced concrete structures constructed on top of a pile or a group of piles to spread the load from the above structures that the piles are to carry. Pile caps provide a large area for the construction of columns and walls they support and achieve a better distribution of loads to the group of piles, which are designed to support the loads.

Site formation

The purpose of site formation work is to prepare a site to the required levels or topography for subsequent foundation works, building works and other works such as construction of access roads and temporary or permanent drainage system. Site formation works include clearance of site, excavation by cut and fill, site levelling, demolition of existing structures, stabilization of existing slopes, formation of new slopes, construction of retaining walls and formation of access roads and drainage system.

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MAJOR QUALIFICATIONS, CERTIFICATIONS, AWARDS AND RECOGNITION

Registrations and qualifications in Hong Kong

We hold various registrations and qualifications in respect of our services. As at the Latest Practicable Date, our Group had the following major registrations and/or qualifications in respect of our business in Hong Kong:

Relevant department/ organisation of the Hong Kong Government	Registrations and qualifications	Holder	Expiry date	Authorised contract value
WBDB	<ul style="list-style-type: none"> • Approved Specialist List — land piling (Group II) <ul style="list-style-type: none"> - Percussive steel “H” piles - Large diameter bored piles - Rock-socketed steel H-pile in pre-bored hole - Large diameter bored pile (with bell-out) 	Kin Wing Engineering	- (Note 1)	Unlimited
	<ul style="list-style-type: none"> • Approval Specialist List — ground investigation field work (Group II) 	DrilTech Ground	- (Note 1)	Unlimited
Housing Authority	<ul style="list-style-type: none"> • List of piling contractors (confirmed) <ul style="list-style-type: none"> - Large diameter bored piling - Percussive piling 	Kin Wing Engineering	- (Note 2)	Unlimited
	<ul style="list-style-type: none"> • List of ground investigation contractors (on probation) (Note 3) 	DrilTech Ground	- (Note 2)	Not applicable
Buildings Department	<ul style="list-style-type: none"> • Foundation works - registration of specialist contractor 	Kin Wing Engineering	24 Mar 2018	Not applicable
	<ul style="list-style-type: none"> • Foundation works - registration of specialist contractor 	Kin Wing Foundations	24 Mar 2018	Not applicable
	<ul style="list-style-type: none"> • Foundation works - registration of specialist contractor 	DrilTech Ground	24 Mar 2018	Not applicable
	<ul style="list-style-type: none"> • Site formation works — registration of specialist contractor 	Kin Wing Foundations	23 Jan 2018	Not applicable
	<ul style="list-style-type: none"> • Ground investigation field works — registration of specialist contractor 	DrilTech Ground	1 Jul 2016	Not applicable
	<ul style="list-style-type: none"> • Ground investigation field works — registration of specialist contractor 	DrilTech Geotechnical	1 Jul 2016	Not applicable

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Notes:

1. Registrations or qualifications with WBDB are not subject to periodic renewal condition except for capital requirement.
2. Annual renewal of the status as an approved contractor by the Housing Authority is subject to satisfactory compliance with the requirements set out in the “Guide to Registration of Works Contractors and Property Management Services Providers” published by the Housing Authority and the payment of a renewal application fee. Renewal requirements include but are not limited to statutory registration, ethical integrity, quality, environmental and safety management system and financial capability.
3. Contractors registered on the list of ground investigation of the Housing Authority on probation status, unless otherwise determined by the Housing Authority, will be allowed to carry out ground investigation works for Housing Authority projects in the capacity of a ground investigation subcontractor but shall be restricted to undertake not more than two ground investigation contracts with the Housing Authority in the capacity of a main contractor at any one time.
4. Please refer to the section headed “Laws and Regulations” in this prospectus for further details of the registrations or qualifications.

Some of these registrations or qualifications are subject to annual review and renewal. Our Group will renew all existing registrations and qualifications accordingly before their respective expiry dates. We have not experienced any refusal of renewal of the registrations or qualifications necessary for our operations during the Track Record Period and up to the Latest Practicable Date. Our Directors confirm that they are not aware of any circumstances that would significantly hinder or delay the renewal of these registrations and qualifications.

Certifications

The following members of our Group are holders of the following certifications in respect of management or quality control system as at the Latest Practicable Date:

<u>Nature</u>	<u>Certification</u>	<u>Awarding organisation or authority</u>	<u>Holder</u>	<u>Period of validity</u>
Quality Management System	ISO 9001:2008	Hong Kong Certification Services International Limited	Kin Wing Engineering	6 July 2011 — 24 January 2016
			<i>(Note 1)</i>	
			Kin Wing Foundations	6 July 2011 — 24 January 2016
			<i>(Note 1)</i>	
			DrilTech Geotechnical	6 July 2011 — 3 January 2016
			<i>(Note 2)</i>	
			DrilTech Ground	6 July 2011 — 3 January 2016
			<i>(Note 2)</i>	

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Nature	Certification	Awarding organisation or authority	Holder	Period of validity
Environmental Management System	ISO 14001:2004	Hong Kong Certification Services International Limited	Kin Wing Engineering <i>(Note 1)</i>	6 July 2011 — 3 November 2016
			Kin Wing Foundations <i>(Note 1)</i>	6 July 2011 — 24 January 2016
			DrilTech Geotechnical <i>(Note 2)</i>	6 July 2011 — 3 January 2016
			DrilTech Ground <i>(Note 2)</i>	6 July 2011 — 26 February 2017
Occupational Health and Safety Management Systems	OHSAS 18001:2007	Hong Kong Certification Services International Limited	Kin Wing Engineering <i>(Note 1)</i>	6 July 2011 — 21 January 2017
			Kin Wing Foundations <i>(Note 1)</i>	6 July 2011 — 24 January 2016
			DrilTech Geotechnical <i>(Note 2)</i>	6 July 2011 — 3 January 2016
			DrilTech Ground <i>(Note 2)</i>	6 July 2011 — 21 January 2017
Energy Management Systems	ISO 50001:2011	Hong Kong Certification Services International Limited	Kin Wing Engineering <i>(Note 1)</i>	10 December 2012 — 9 December 2015
			Kin Wing Foundations <i>(Note 1)</i>	10 December 2012 — 9 December 2015
			DrilTech Geotechnical <i>(Note 2)</i>	21 November 2012 — 20 November 2015
			DrilTech Ground <i>(Note 2)</i>	21 November 2012 — 20 November 2015

Notes:

- The scope covers design and construction of foundations including large diameter bored piles (with bellout), mini-piles, non-percussion cast-in-situ concrete piles, percussive steel H-piles, rock-socketed steel H-pile in prebored holes, sheet piles, pipe piles, soldier piles, curtain grouting, excavation and lateral supports, footings and pile cap works.
- The scope covers design and construction of ground investigation, geotechnical and foundation engineering works.

The validity of the above certifications is subject to the continuing satisfactory operation of the relevant holder's management system and surveillance audits. Our Directors confirm that they are not aware of any circumstances that would significantly hinder or delay the renewal of these certifications.

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Awards and recognitions

The following table sets out the major non-recurring awards and recognitions awarded to us since the commencement date of the Track Record Period up to the Latest Practicable Date:

Safety

<u>Year(s) of award</u>	<u>Nature</u>	<u>Recipient</u>	<u>Award</u>	<u>Awarding organisation or authority</u>
2011-2012	Safety	DrilTech Ground	Construction Industry Safety Award Scheme 2011/2012 Civil Engineering Sites Category (Subcontractor) — Bronze Award	Labour Department
2012	Safety	Kin Wing Engineering	Certificate of Appreciation — Zero Injury Performance Subcontractor	Shui On Building Contractors Limited
2012	Safety	DrilTech Ground	CEDD Construction Site Safety Award 2012 — Gold Award — Contract No. GE/2011/25 Ground Investigation — New Territories East (Term Contract)	CEDD
2013	Safety	DrilTech Ground	Innovative Safety Initiative Award 2013 — Bronze Award — New Set Up of Portable Drilling Equipment	Construction Industry Council, Development Bureau & Hong Kong Construction Association
2013	Safety	DrilTech Ground	CEDD Construction Site Safety Award 2013 — Gold Award — Contract No. GE/2011/25 Ground Investigation — New Territories East (Term Contract)	CEDD
2014	Safety	DrilTech Ground	Innovative Safety Initiative Award 2014 — Merit Award — Health Screening and Evaluation of Worker	Construction Industry Council, Development Bureau & Hong Kong Construction Association

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Environmental and hygiene

<u>Year(s) of award</u>	<u>Nature</u>	<u>Recipient</u>	<u>Award</u>	<u>Awarding organisation or authority</u>
2012	Environmental	DrilTech Ground	Considerate Contractors Site Award Scheme 2012 — Outstanding Environmental Management & Performance Award — Gold Award — Contract No. GE/2011/25 Ground Investigation — New Territories East (Term Contract)	Development Bureau & Construction Industry Council
2013	Environmental	DrilTech Ground	20th Considerate Contractors Site Award Scheme — Public Works — RMAA — Outstanding Environmental Management & Performance Award Scheme — Merit Award — Contract No. GE/2011/25 Ground Investigation — New Territories East (Term Contract)	Development Bureau & Construction Industry Council
2014	Hygiene	Kin Wing Foundations	Workplace Hygiene Competition — Champion of Contractor Worksites (Property Projects)	MTRC

Research and development

<u>Year(s) of award</u>	<u>Nature</u>	<u>Recipient</u>	<u>Award</u>	<u>Awarding organisation or authority</u>
2012	Research and development	Kin Wing Engineering	Certificate of Appreciation of the dedication and excellence in the Research and Development work on Precast Paving Slabs for Haul Road in Tseung Kwan O Area 65B	Housing Authority

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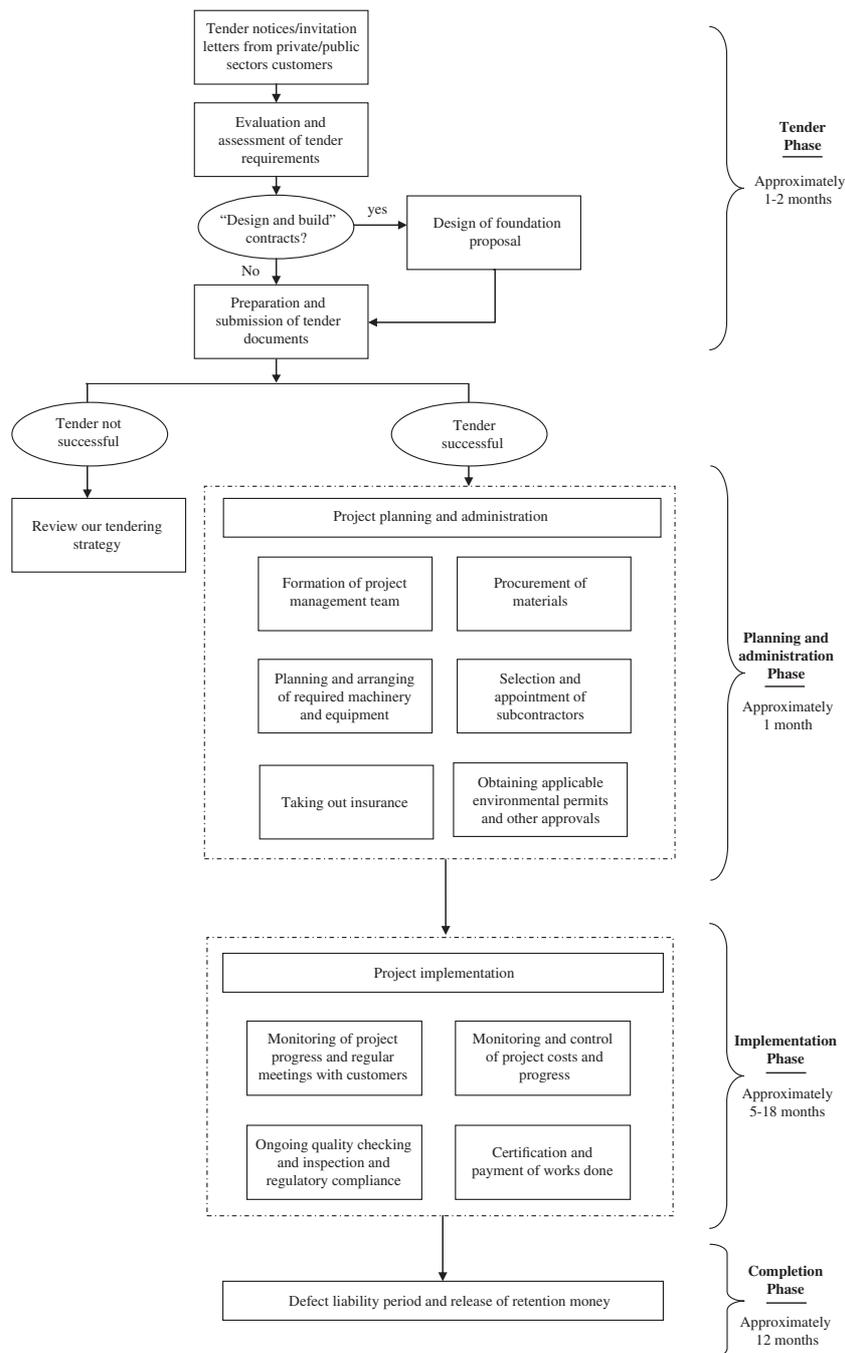
Others

<u>Year(s) of award</u>	<u>Nature</u>	<u>Recipient</u>	<u>Award</u>	<u>Awarding organisation or authority</u>
2012	Quality	Kin Wing Engineering	Quality Public Housing Construction & Maintenance Award 2012 New Works Projects — Outstanding Piling Project	Housing Authority
2012	Quality	DrilTech Ground	Considerate Contractors Site Awards Scheme 2012 (New Works) — Merit Award — Contract No. GE/2011/25 Ground Investigation — New Territories East (Term Contract)	Development Bureau & Construction Industry Council
2012	Wage monitoring	Kin Wing Engineering	Quality Public Housing Construction & Maintenance Award 2012 New Works Projects — Wage Monitoring System (Piling)	Housing Authority
2013	Quality	DrilTech Ground	20th Considerate Contractors Site Award Scheme — Public Works — RMAA - Bronze Award — Contract No. GE/2013/04 Ground Investigation — Urban (Term Contract)	Development Bureau & Construction Industry Council
2013	Wage monitoring	Kin Wing Engineering	Quality Public Housing Construction & Maintenance Award 2013 New Works Projects — Wage Monitoring System (Piling)	Housing Authority
2014	Quality	DrilTech Ground	20th Considerate Contractors Site Award Scheme — Public Works — RMAA — Silver Award — Contract No. GE/2011/25 Ground Investigation - New Territories East (Term Contract)	Development Bureau & Construction Industry Council

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OPERATING PROCEDURES

Our businesses of (i) piling construction and other ancillary services; and (ii) drilling and site investigation go through similar operating procedures which can be broadly divided into: (1) tender phase; (2) planning and administration phase; (3) implementation phase; and (4) completion phase. We have developed a comprehensive operating system covering the entire project cycle and was accredited with ISO 9001 certification since 1995. For illustration purpose, a simplified diagram of our operating procedures for both of our piling construction projects and drilling and site investigation projects is outlined below:



1. Tender phase

Identification of projects

Private sector projects which we act as main contractor

For private sector projects, the ultimate employers (such as property owners, developers or their professional consultants) typically maintain their lists of approved foundation contractors and will send them letters to invite for tender or pre-qualification or letters to express interest for tender. They may sometimes require their approved foundation contractors to make pre-qualification submissions to assess their qualification and eligibility to submit tenders. Apart from such invitations, we also identify private sector projects through our management's connections in the foundation industry or notices of open tenders from the market. Letters of invitation or express of interest for tender and open tender documents normally include brief description of the works required, contact details of the office (from which forms of tender and further particulars of the projects may be obtained) and the closing time and date of the tender.

Public sector projects which we act as main contractor

For foundation projects where the ultimate employers are from public sector (except for those from the Housing Authority or WBDB), we generally receive invitation letters for tender issued directly from the Hong Kong Government departments concerned as Kin Wing Engineering and DrilTech Ground are registered under the Approved Specialist List in the categories of land piling (Group II) and ground investigation field work (Group II) respectively. Apart from such tender invitations, we also identify public sector projects through the Hong Kong Government gazette and the websites of different Hong Kong Government departments where tender invitations, tender forecasts and tender notices are published. Such information is useful not only for identifying potential projects but also for us to assess the upcoming foundation projects available in the market, which in turn assist us in formulating our tendering strategy.

For foundation projects where the ultimate employer is the Housing Authority or WBDB, we will receive "invitation of express of interest for tender" in writing by the Housing Authority or WBDB. We will express our interest in tendering if we intend to take up the project after our internal assessment. If our expression of interest is accepted, an invitation letter for tender of that particular project will be sent to us, and we will then submit a tender. The Housing Authority and WBDB also publish tender forecasts and notifications on their respective websites, which include information on the contract title, brief description of works required, tender out date and tender eligibility list or group. We review such information periodically as one of the sources of market information.

Projects which we act as subcontractor

From time to time, we are approached by main contractors of government infrastructure or construction projects and are requested to provide an indication of our interest or quotation to act as their subcontractor in the subject projects after obtaining the preliminary specifications from them.

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Our Group could be approached by main contractors due to our Directors' connections, previous working relationship, referral from other customers/main contractors or our information being listed under the Approved Specialist List. The selection criteria and process for subcontracting are determined by these main contractors.

Evaluation and assessment of projects

Our tender department is led by Mr. Yu and Mr. So, our managing director and the general manager of the Company respectively, who is responsible for reviewing and evaluating tender documents and preparing tender submissions. Generally, we review and evaluate the commercial viability of potential projects based on factors including the scope, complexity, technicality and particular specifications of the projects, site conditions, achievability of the specified timetable, prior experience, availability of machinery, human resources and expertise, prevailing market conditions, estimated costs of the project and our current competitiveness and financial conditions. When we decide that a potential project is commercially viable, our tender department will proceed to prepare the tender proposal.

Preparation and submission of tender documents

Any quotation, expression of interest for tender, or tender submission is only prepared after we have carried out a thorough analysis of the work to be undertaken. This includes assessing sub-soil conditions, obtaining suppliers' quotations for cost of raw materials, allocating labour and management resources, and scheduling of machinery and equipment. On some occasions, our project managers or engineers will also visit the site at which the project is to be undertaken in order to conduct a better assessment on the complexity of the work to be involved. Subject to the conditions of the site, we may consider specific factors including (a) whether there are any underground utilities; (b) the conditions of the structures adjacent to the site; (c) the nature of the locality of the site; and (d) whether there are any potential difficulties in carrying out the work, such as the size and landscape of the site restricting the accessibility of required machinery. All these factors may increase our project cost.

“Design and build contracts” and “build only” contracts

For “design and build” contracts which we are allowed to recommend alternative options(s) to the conforming design layout, our design team will be involved in the early stage of the tendering process. Based on the site investigation report provided by the potential customer and other factors such as the loading requirements of the superstructure, limitations and constraints of the site, plant availability, cost, contract period and safety concerns, our design team will formulate appropriate foundation design proposal which satisfies the specific requirements of the project owners and the relevant code of practice and regulations, and is more efficient and cost-effective. Currently we use computer-aided program such as “AutoCAD” for design and formulation of drawings and models based on each project's specific requirements. Such program is capable of producing two-dimensional or three-dimensional drawings of objects of any sizes or shapes. Also other specially-designed software and programs are utilised such as “SAFE” and “SAP2000” to assist us in formulating our

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foundation design proposals. Both of them are used in structural engineering for the analysis and design of concrete or steel structures and foundation systems. These software and programs are capable of upgrading for expansion of functions such as three-dimensional structural analysis or various modelling and design in respect of reinforcement calculation based on specific and statutory requirements. These design drawings will be submitted to the project architect or consultant for review and the relevant customers for tender assessment. During the tendering process, our design team works closely with our tendering team to work out various details of tender such as costs, human resources, construction materials and the expected time required for completion of the project.

The time required to prepare a tender varies from case to case and depends on the specific requirements of each project. Generally, it takes about one to two months from receipt of the tender documents to submission of the tender proposal for a “design and build” contract.

For “build only” contracts, we will prepare and submit tenders or quotations on the basis of a piling layout design provided by the project consultant. Generally, it takes about one to four weeks from receipt of the tender documents to submission of the tender proposal for a “build only” contract.

Project quote determination

Mr. Yu and Mr. So, our managing director and the general manager respectively, and both being our executive Directors, play an active role in the tender review procedure. They are responsible for reviewing tender documents, formulating bidding strategies and ensuring that bids are both competitive and profitable. Based on the experience of our executive Directors and senior management, we will consider the potential difficulty and risk factors in estimating the total cost of each project. We will then determine the tender price based on our estimated project costs (which mainly include machinery usage cost, direct labour costs, subcontracting charges and construction material costs) plus a mark-up margin at the time when we submit our tender or our initial proposal to our potential customer. Depending on the complexity or scale of the project, sometimes we may obtain quotations from our subcontractors prior to submitting a tender proposal and reflect the estimated construction material costs and subcontracting charges in our tender price.

Pricing of most of our drilling and site investigation projects are based on agreed unit rates set out in the relevant contracts and the actual amount of works done, with certain adjustments made to it after having considered the scope of work involved, the complexity and potential difficulty of the project and the availability of resources.

Upon finalising the bill of quantities and other documents required for tender submission, our Group will submit the tender documents to the potential customers. After submitting tender, we may be required to answer queries or invited to attend interviews with the potential customers to clarify certain aspects of our submitted tender, demonstrate our understanding on the project, discuss availability of our resources and our estimated project costs. Our general manager will follow up with the potential customers on their requirements and details of our tender.

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For certain private sector piling construction projects (in which we act as main contractor), there is a price adjustment mechanism (both upward and downward adjustments). Pursuant to such mechanism, the fees that we may receive from the employer under a contract will be adjusted (both upward or downward, and subject to a prescribed extent) for changes in certain cost elements after the tender price is fixed with reference to certain price indices. Price indices which may be used include the index for the average daily wages of workers engaged in government building and construction projects published by the Census and Statistics Department. For those projects without price adjustment mechanism, we usually undertake certain measures to mitigate the impact of increases in costs for projects. Please refer to the paragraph headed “Operating Procedures — 3. Implementation phase — Monitoring and control of project costs and progress” in this section for further details.

Tender success rate

The table below sets out the number of tenders submitted and awarded to our Group during the Track Record Period by activity:

	For the year ended 31 December			For the four months ended
	2012	2013	2014	30 April 2015
Piling construction and ancillary services				
Number of tenders submitted	165	152	132	29
Number of successful tenders	15	17	14	2
Success rate (%)	9.1	11.2	10.6	6.9
Contract sum of tenders submitted (HK\$ million)	19,733	17,056	18,333	6,766
Contract sum of successful tenders (HK\$ million)	1,358	1,678	1,338	476
Drilling and site investigation				
Number of tenders submitted	665	610	423	149
Number of successful tenders	44	31	15	2
Success rate (%)	6.6	5.1	3.5	1.3

Note: For drilling and site investigation, there were cases where the tender proposals and the relevant contracts awarded only required/contained the quotation of the unit rate for the works (such as the dollar amount for each drillhole) and would not specify the quantity of works to be done. As such, the aggregate contract sum of tenders submitted and awarded for this line of business segment is not available in the tender documents.

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From time to time, our Group receives invitation letters for tenders or letters to express interest for tender and in order to maintain our presence in the market and to remain on our customers' contractors list, we submit certain tenders upon receipt of invitations from our customers regardless of their contract size. As such, our tenders submitted does not necessarily represent our tendering strategy. In some occasions, depending on our project pipeline and the extent of our interest, we may have to offer a higher price in some of our tender submission in order to ensure that sufficient resources such as machinery and staff can be allocated to those projects that are already secured. In view of the above, our Directors consider that the tender success rate is not a meaningful benchmark of assessment as to our Group's ability in securing contracts.

The number of projects tendered during the Track Record Period had been decreasing as we have changed our strategy from 2012 to focus on competing for sizeable projects with larger contract sum. For each of the three years ended 31 December 2014 and the four months ended 30 April 2015, the number of tenders submitted with contract value exceeding HK\$200 million were 26, 27, 29 and 9, respectively.

Our drilling and site investigation projects are generally smaller in scale and involve smaller contract sum. Sometimes we may also receive several tender invitations from different customers for the same construction site and it is our practice to count the number of tenders submitted based on each tender submitted to individual customer. As such, our Group's total number of tenders submitted during the Track Record Period was high resulting in a comparatively lower success rate. The number of tenders submitted for our drilling and site investigation projects counted based on an aggregation of number of tenders submitted for each construction sites without taking into account tenders submitted to more than one customers for the same construction site during the Track Record Period were 304, 354, 252 and 104 respectively and the corresponding tender success rates were 14.5%, 8.8%, 6.0% and 1.9% respectively.

Nevertheless, the number of tenders awarded to us for drilling and site investigation projects during the Track Record Period had been decreasing due to the fact that we had participated in the site investigation works for certain large scale infrastructure projects in Hong Kong such as the Shatin to Central Link project and the Hong Kong-Zhuhai-Macao Bridge project, which took up a large part of our resources and manpower. For example, projects number "D-2", "D-5", "D-7", "D-8" and "New D-01" are all related to the Shatin to Central Link project while projects number "D-4" and "Ongoing D-18" are related to the Hong Kong-Zhuhai-Macao Bridge project. Please refer to the paragraph headed "Business Overview — Contracts completed during the Track Record Period/Contracts completed after the Track Record Period and up to the Latest Practicable Date/Contracts on hand as at the Latest Practicable Date" in this section for details. For the Shatin to Central Link project and the Hong Kong-Zhuhai-Macao Bridge project, we had been awarded relevant contracts with contract sum of approximately HK\$55.6 million and HK\$70.5 million, respectively, in respect of which the works would be carried out through 2015 to 2016. Given the limitation of resources and capacity, we had to submit less tender proposals to our customers or offer higher price in our tender proposals, which resulted in lower number of tenders being awarded to us and the lower tender success rate.

For the four months ended 30 April 2015, the number of tenders awarded for both of our piling construction (including ancillary services) and drilling and site investigation businesses has decreased. It was primarily due to the fact that we had been engaged in certain large scale projects

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in the second half of 2014 (such as P-1 and P-2) and therefore did not aggressively compete for new tenders in the first quarter of 2015. Despite the decrease in tender success rate, as compared with the corresponding period in 2014, our Group's revenue for the four months ended 30 April 2015 had been increased by 24.6% from approximately HK\$481.5 million to approximately HK\$599.8 million, as further described in the paragraph headed "Financial Information — Discussion of Results of Operations" in this prospectus.

2. Planning and administration phase

Generally, once our tender proposal is accepted by our customer, a letter of award or letter of acceptance will be issued to us by our customer which forms part of the contract. We will commence the implementation of the project which includes formation of a project management team, procurement of materials, planning and arranging the required equipment to be delivered to the site and selection and appointment of subcontractors (if necessary).

Formation of project management team

Our project management team generally comprises the following key members: project in charge, site representative, quantity surveyor, design engineer, procurement officer, safety officer, environmental officer and foreman.

Our Execution Panel will closely monitor the progress of each project on a continuous basis and, in particular, will ensure that statutory requirements are complied with. Our project management team will oversee the project on site and will report to our Execution Panel in case issues relating to the project have been identified. In addition, our Execution Panel will hold monthly meetings to review the financial performance of each project and to determine if there should be any revision of the budget for variation in costs.

Procurement of materials

The construction materials that we use for our projects consist mainly of concrete, steel bar, diesel and other metal materials. We source all major construction materials in Hong Kong on our own, unless otherwise specified by our customers. In line with the requirements set out in our tenders accepted, our procurement department will place orders with our suppliers and purchase the required materials. For further details, please refer to the paragraph headed "Suppliers and Subcontractors — Our materials and suppliers" in this section below.

Planning and arranging the required machinery and equipment

Most of our works involve usage of machinery. Our assistant general manager (production) is responsible for managing the machinery for our projects. Our Execution Panel will determine the types of machinery to be used at various stages of our projects and the logistics of delivery of machinery to our various project sites. For further details, please refer to the paragraph headed "Machinery and Equipment" in this section below.

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Selection and appointment of subcontractors (if necessary)

Taking into account our capability, resources level, cost effectiveness and the complexity of the project, we may subcontract specific parts of the project to our subcontractors, such as transportation, landscaping, lab-testing, site formation works, ELS works, pile cap works, demolition works, hoarding works, condition survey, utility survey, etc. Save for such specific parts of the project, we usually carry out other parts of a project by our employees. For further details, please refer to the paragraph headed “Suppliers and Subcontractors — Subcontracting” in this section below.

3. Implementation phase

Monitoring of project progress and regular progress meetings with customers

We believe that our quality of work and reputation are crucial to winning future tenders and securing future business opportunities. As such, we place strong emphasis on quality control of our work to ensure that our work meets with or exceeds the required standards.

Other than the weekly meetings of our Execution Panel, our project management team also holds regular meetings with our customers and our subcontractors to review the progress of the project and to resolve any problems which may arise. Daily progress reports, contractor reports and site photos are submitted to our customers during such meetings.

Upon completion of our work, various tests will be performed to confirm that the specified standards have been met. In the case of piling construction work, a record plan will be prepared for submission to the relevant Hong Kong government authorities.

For further details, please refer to the paragraph headed “Quality Control” in this section below.

Under the usual terms of our foundation contracts, variation by executing additional or modification works may be ordered by our customers. All work executed by us as a result of such variations shall be valued between the quantity surveyor and us in accordance with the principle that, among other things, any additional work carried out which is similar in character to and executed under similar conditions 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.

Monitoring and control of project costs and progress

Our results of operations are impacted in part by our ability to control project costs within our budget, which, however, will be dependent on a number of factors including but not limited to the scope and complexity of the projects, site conditions, project time frame, estimated construction material costs and labour cost. Some of these factors are beyond the control of the Group. We may also be subject to liquidated damages due to delay in completing the project if extension of time is not granted by our customers. Please refer to the paragraph headed “Risk Factors — We make estimation of our project costs in our tenders and any failure to accurately estimate the costs involved and/or delay in completion of any project may lead to cost overruns or even result in losses” in this prospectus for further details.

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In response to the above-mentioned risks in our operations, we implement certain cost-control measures. Our project manager will prepare a budget plan for each construction project. The budget plan will be reviewed and approved by the Execution Panel and the following factors will be taken into account:

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

The budget plan for each of our projects will be reviewed and monitored with actual incurred costs. Our accounts department prepares reports and meets with our Execution Panel on a monthly basis. Any material deviation from the estimated budget will be highlighted in the reports so as to draw the attention of the Execution Panel, which determine possible follow-up actions for cost control purpose.

In the event that subcontractors are required for a particular project without price adjustment mechanism, we will engage them at the early stage and fix their subcontract price so as to mitigate future possible increase in their costs. In addition, we generally enter into contracts with our suppliers of diesel and steel bar for bulk purchase in order to ensure stable supply and minimise cost fluctuation. We will also try to place purchase order for concrete at the early stage of the project to avoid possible price fluctuation.

In order to mitigate the risk of delay in completing our projects, our Execution Panel will review on the progress of our projects on a weekly basis. Any sites that fall behind the construction schedule will be discussed to seek possible remedial actions such as allocating more manpower and machinery.

Based on the above, our Directors believe that our current measures on cost control and monitoring of construction progress are being carried out effectively.

Certification and payment of works done

Our Group's foundation contracts normally require our customers to make progress payments on a monthly basis. Once our Group has submitted a monthly bill, the consultant or architect appointed by our customer will certify the amount of work done. Our customer usually settles the bill, net of any agreed retention money, within 45 days after receipt of the consultant/architect's certification.

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According to our Group's accounting policy, revenue is recognized after the receipt of payment certificates certified by consultants or architects (in the case we act as main contractor) or main contractors (in the case we act as subcontractor). Please refer to the paragraph headed "Financial Information — Critical Accounting Policies and Estimates — Revenue recognition" in this prospectus for further details.

Similarly, we normally pay our subcontractors on a monthly basis with reference to the value of the works done. If the main contract adopts milestone payment, we will, to the extent practicable, seek payment term for subcontractors on similar basis.

In the case of us being a subcontractor, we normally settle the progress payment and retention money with the main contractor in the similar manner as we pay our subcontractors mentioned above.

4. Completion phase

Rectification and defect liability period

Our customers would normally require a defect liability period, during which we are responsible for rectifying any construction defects. The defect liability period usually ranges from 6 to 12 months, depending on the nature and scale of the project. In such connection, we may require a similar defect liability period from our subcontractors. Under the usual terms of our foundation contracts, we are liable to rectify all defective works (if any) during the defect liability period. Our project management team conducts rectification on the defective works identified by our customers. After completion of the rectification works, our customers or architects and/or engineers employed by them are required to issue a certificate indicating their satisfaction of the rectification works. During the Track Record Period, we did not experience any material claim by our customers in respect of any defective works, and have not made provision for any repair and maintenance cost in respect of defective works during the defect liability period.

Surety bonds

When our Group undertakes piling construction work as a main contractor, a surety bond of 3% to 10% of the contract sum is normally required by our customer to secure our Group's due performance of the contract. Such surety bond will be released upon production of practical completion certificate or maintenance certificate issued by the architect at the expiry of the defect liability period as provided in the contract.

Liquidated damages

To provide for certain unforeseen circumstances which are beyond the control of our Group, our contracts may include a clause providing for an "extension of time", which enables us to extend the completion date subject to the parties' agreement. Our Group may be subject to liquidated damages due to delay in completing the project if extension of time is not granted by our customers, calculated on the basis of a fixed sum per day or according to certain damages calculating mechanism as

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stipulated under the contract for the period which the works remain incomplete. During the Track Record Period and up to the Latest Practicable Date, we have not had any material liquidated damages claim made against us due to our delay in completing the contract in respect of which time extension is not granted by our customers.

Release of retention money

In general, there is a contract term for the customer to hold up retention money from the progress payment. Retention money is normally 10.0% of the value of work done, subject to a maximum rate of 5% of the total contract value. Upon satisfactory completion of the contract, a practical completion certificate will be issued by the architect, at which time half of the retention money will be released. The rest of the retention money is usually released upon the expiry of the defect liability period when a maintenance certificate will be issued by the architect to authorise such release. As at 30 April 2015, the aggregate retention money held by our customers for contracted works included in our retention receivables amounted to approximately HK\$176.0 million. We expect that all such retention money will be released according to the respective contracts and work done.

The amount of retention money held by our Group from subcontractors is normally 10% of the monthly payment and subject to a mutually agreed cap (which is normally 5% of the total subcontract sum). As at 30 April 2015, the aggregate retention money payable to our subcontractors and held by us amounted to approximately HK\$28.6 million.

CUSTOMERS

Capitalising on our registrations and qualifications, we are able to directly enter into foundation works contracts with both the private and public sectors in Hong Kong. Under our practice of customer classification, despite the nature of our projects, our customers are divided into private or public sector customers according to the sector to which the contracting party belongs. As such, even for those foundation projects of which the ultimate employers are from the public sector, we classify them as private sector contracts if we only act as subcontractor and enter into contracts with the main contractors in the private sector which we regard as our direct customers.

Our customers in private sector include property developers, construction companies, Urban Renewal Authority, charity organisations as well as their respective main contractors. Our customers in public sector include different departments of the Hong Kong Government and related organisations and institutional bodies such as the Housing Authority, the Housing Society, CEDD, Highways Department and Architectural Services Department.

Please refer to the paragraph headed “Business Overview — Contracts from private sector and public sector” in this section above for the contribution of our total turnover by the respective market segments. In general, foundation contracts are awarded to us on a project-by-project basis and are non-recurring in nature. We have not entered into any long-term master contracts with any of our customer during the Track Record Period.

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Our top five customers

As it is a common practice for property developers in Hong Kong to carry out development works through individual affiliated company for each development project, our Directors consider that these affiliated companies should be grouped as a single customer if they are affiliated under the same group in order to portray a more meaningful customer profile. For each of the three years ended 31 December 2014 and the four months ended 30 April 2015, our five largest customers by affiliated group accounted for approximately 61.1%, 67.0%, 60.8% and 68.9% of our revenue, respectively, and our largest customer by affiliated group accounted for approximately 23.4%, 30.8%, 18.0% and 24.5% of our revenue, respectively.

The following sets out the profile of our top five customers by affiliated group during the Track Record Period:

Year ended 31 December 2012

<u>Name of customer by affiliated group</u>	<u>Sector of customer</u>	<u>Turnover contribution to our Group</u>	<u>Approximate percentage to the total turnover of our Group for that year</u>	<u>Business with the customer commenced since</u>
		<i>Approximate HK\$ million</i>	<i>(%)</i>	<i>(Note 11)</i>
Cheung Kong Property <i>(Note 1)</i>	Private	245.6	23.4	2000
Housing Authority <i>(Note 2)</i>	Public	170.0	16.2	1996
Wheelock Properties <i>(Note 3)</i>	Private	134.5	12.8	2012
K. Wah International <i>(Note 4)</i>	Private	45.7	4.4	1999
S E A Holdings <i>(Note 5)</i>	Private	45.0	4.3	2012

Year ended 31 December 2013

<u>Name of customer by affiliated group</u>	<u>Sector of customer</u>	<u>Turnover contribution to our Group</u>	<u>Approximate percentage to the total turnover of our Group for that year</u>	<u>Business with the customer commenced since</u>
		<i>Approximate HK\$ million</i>	<i>(%)</i>	<i>(Note 11)</i>
Wheelock Properties <i>(Note 3)</i>	Private	363.3	30.8	2012
S E A Holdings <i>(Note 5)</i>	Private	147.1	12.5	2012
Cheung Kong Property <i>(Note 1)</i>	Private	121.1	10.3	2000
K. Wah International <i>(Note 4)</i>	Private	81.3	6.9	1999
Customer F <i>(Note 6)</i>	Private	77.1	6.5	2012

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Year ended 31 December 2014

<u>Name of customer by affiliated group</u>	<u>Sector of customer</u>	<u>Turnover contribution to our Group</u>	<u>Approximate percentage to the total turnover of our Group for that year</u>	<u>Business with the customer commenced since</u>
		<i>Approximate HK\$ million</i>	<i>(%)</i>	<i>(Note 11)</i>
K. Wah International (<i>Note 4</i>)	Private	248.9	18.0	1999
Sun Hung Kai (<i>Note 7</i>)	Private	230.4	16.7	2010
Customer H (<i>Note 8</i>)	Private	168.7	12.2	2013
Cheung Kong Property (<i>Note 1</i>)	Private	132.3	9.6	2000
Customer I (<i>Note 9</i>)	Private	59.1	4.3	2013

Four months ended 30 April 2015

<u>Name of customer by affiliated group</u>	<u>Sector of customer</u>	<u>Turnover contribution to our Group</u>	<u>Approximate percentage to the total turnover of our Group for that period</u>	<u>Business with the customer commenced since</u>
		<i>Approximate HK\$ million</i>	<i>(%)</i>	<i>(Note 11)</i>
Housing Authority (<i>Note 2</i>)	Public	146.8	24.5	1996
K. Wah International (<i>Note 4</i>)	Private	97.9	16.3	1999
Sun Hung Kai (<i>Note 7</i>)	Private	83.8	14.0	2010
Customer J (<i>Note 10</i>)	Private	46.3	7.7	2014
Cheung Kong Property (<i>Note 1</i>)	Private	38.5	6.4	2000

Notes:

- (1) Cheung Kong Property is a fully-integrated, multi-disciplinary property developer in Hong Kong with principal activities encompassing residential, commercial and industrial property development and investment; hotel and serviced suite operation; and property and project management. Its business scope also comprises unitholding interests in listed real estate investment trusts including Fortune REIT (stock code: 778), Prosperity REIT (stock code: 808), and Hui Xian REIT (stock code: 87001).
- (2) Housing Authority is a governmental institutional body established under the Housing Ordinance and is the main public housing provider of public housing in Hong Kong.
- (3) Wheelock Properties is wholly owned by Wheelock and Company Limited and its principal activities include the undertaking of property development, sales and marketing, and asset management functions of properties of its affiliated group.
- (4) The principal activities of K. Wah International is investment holding. The principal subsidiaries, joint ventures and associated companies of K. Wah International are primarily engaged in property development and property investment in Hong Kong, the PRC and Singapore.

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- (5) S E A Holdings is a property conglomerate specializing in property development and investment in Hong Kong, Australia and the PRC.
- (6) Customer F is a joint venture between (i) a listed company in Australia and a leading international contractor which provides construction, mining, engineering, concessions, and operation and maintenance services to the infrastructure, resources and the property markets; and (ii) a private company which is headquartered in Hong Kong and provides construction services in mainland China and Southeast Asia.
- (7) Sun Hung Kai is one of the largest property companies in Hong Kong and specializes in developing premium-quality residential projects, offices and shopping centers. It also has complementary operations in property-related fields including hotels, property management, construction, insurance and mortgage services, as well as investments in telecommunications, information technology, infrastructure and other businesses.
- (8) Customer H is a civil, foundation and geotechnical engineering arm of a listed company in Hong Kong.
- (9) Customer I is a private company in Hong Kong engaged in investment of properties and construction materials.
- (10) Customer J is a private property developer in Hong Kong with complementary operations in property-related fields including hotels, property management, construction, leasing and security services and other businesses.
- (11) This information is compiled based on our internal records.

As at the Latest Practicable Date, our Group had a total of 30 contracts on hand (including contracts in progress and contracts yet to be commenced) and the relevant awarded contract sum for these contracts on hand amounted to approximately HK\$3,240.6 million. The largest contract sum out of the 30 contracts on hand, not taking into account contingent and/or provisional contract amounts, is approximately HK\$379.9 million, representing approximately 11.7% of the aggregate awarded contract sum for the contracts on hand as at the Latest Practicable Date.

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Major customers who were also our suppliers

Our major customers include well-known property developers in Hong Kong which are listed companies and their respective affiliated groups are engaged in wide range of businesses. Some of them are also engaged in the business of supply of construction materials business. During the Track Record Period, the subsidiaries or fellow subsidiaries of three of our top five customers were also our suppliers which were engaged in the business of supply of construction materials. The following table sets out the revenue contribution from and gross profit of these three major customers and costs of construction materials supplied to our Group relating to their subsidiaries or fellow subsidiaries during the Track Record Period:

	For the year ended 31 December			For the four months ended 30 April
	2012	2013	2014	2015
K. Wah International and Supplier J				
(under the same affiliated group)				
— Revenue from K. Wah International as percentage of our total revenue	4.4%	6.9%	18.0%	16.3%
— Gross profit (HK\$ million)	18.6	17.0	58.0	27.0
— Purchase from Supplier J as percentage of our total costs of construction materials	1.0%	1.4%	4.4%	13.8%
Sun Hung Kai and Supplier I				
(under the same affiliated group)				
— Revenue from Sun Hung Kai as percentage of our total revenue	3.3%	2.0%	16.7%	14.0%
— Gross profit (HK\$ million)	16.7	0.5	23.2	36.5
— Purchase from Supplier I as percentage of our total costs of construction materials	0.9%	0.005%	6.6%	2.7%
Cheung Kong Property, Supplier B and Supplier C				
(under the same affiliated group)				
— Revenue from Cheung Kong Property as percentage of our total revenue	23.4%	10.3%	9.6%	6.4%
— Gross profit (HK\$ million)	39.5	4.2	11.7	4.7
— Purchase from Supplier B as percentage of our total costs of construction materials	18.8%	12.9%	5.3%	2.4%
— Purchase from Supplier C as percentage of our total costs of construction materials	7.2%	3.2%	0.7%	3.2%

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Save and except the 8,208 shares held by Mr. Yu and his spouse jointly in each of two members of the affiliated group of Cheung Kong Property (representing less than 0.0002% of the issued share capital of each of such companies as at 31 July 2015), so far as is known to our Directors, none of our Directors, their respective close associates or any Shareholder (who or which, to the best knowledge of our Directors, owns more than 5% of the issued share capital of our Company as at the Latest Practicable Date) has any interest in any of our five largest customers by affiliated group during the Track Record Period. All these five largest customers by affiliated group are Independent Third Parties. We are not aware that during the Track Record Period, our Group experienced any major disruption of business due to material delay or default of payment by our customers due to their financial difficulties. Our Directors further confirm that they are not aware of any of our major customers having experienced material financial difficulties that may materially affect our Group's business.

Key contract terms with our major customers

In general, foundation contracts are awarded to us on a project-by-project basis and are non-recurring in nature. During the Track Record Period, we did not enter into any long-term contracts with any of our customers. Set out below are the key common contract terms with our major customers during the Track Record Period:

Contract period:	The period within which the project has to be completed. We are required to follow the specified pre-determined work schedule. However, such schedule may be extended from time to time pursuant to the terms of the relevant contract.
Type and scope of work:	The type of foundation or ancillary works together with the layout plan are specified in the contract, irrespective of whether the contract is a "build only" or "design and build" one.
Payment terms:	We generally provide our customers with a written statement of the value of all works done under the contract on a monthly basis. The credit period for settlement of payment by our customers generally ranges from 30 to 45 days from the date of invoice.
Schedule of rates:	Description of the type of work and the specification of the works together with the quantity and the unit price.
Variation orders/contingencies:	Variation by executing additional or modification works as may be ordered by the customer. All work executed by us as a result of such variations shall be valued between the quantity surveyor and us in accordance with the principles that, among other things, any additional work carried out which is similar in character to and executed under similar conditions 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.

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Liquidated damages:	If we fail to complete the contract works within the date of completion as set out in the contract, we may, subject to the rights for time extension, be required to compensate our customers a sum of liquidated damages calculated on the basis of a fixed sum per day or according to certain damages calculating mechanism as stipulated under the contract for the period which the works remain incomplete.
Retention monies:	Our customers are generally entitled to withhold 10% of the value of work done, subject to a maximum retention of 5% of the total contract value as retention money. Please refer to the paragraph headed “Operating Procedures — 4. Completion Phase — Release of retention money” in this section above for further details.
Surety bonds:	Our customers generally require us to take out a surety bond issued by a bank or an insurance company of 3-10% of the contract sum to secure our Group’s due performance of the contract.
Default:	<p>We may be held in default of the contract if we, among other things:</p> <ul style="list-style-type: none">• abandon the contract; or• without reasonable cause wholly suspend the carrying out of the works before completion; or• fail to proceed regularly and diligently with the works; or• become bankrupt or make a composition or arrangement with our creditors or have a winding up order made or a resolution for voluntary winding up passed.
Defect liability period:	We are required to remain responsible for remedying any defects or imperfections discovered in relation to our works done for a certain period after completion of our contracts. Please refer to the paragraph headed “Operation — 4. Completion phase — Rectification and defect liability period” in this section above for further details.

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Insurance: In the case where we are appointed as the main contractor, we shall effect and maintain in force the contractor's all risk insurance in respect of damages or compensation payable at law in respect of accidents or injuries. In the case where we are appointed as the subcontractor, the main contractor shall be responsible for effecting and maintaining in force such contractor's all risk insurance. Please refer to the paragraph headed "Insurance" in this section below for further details.

CREDIT POLICY

Before deciding whether to submit a tender proposal, we normally consider factors such as the creditworthiness of the relevant customer and the key contract terms stipulated in the relevant tender document. Further details in respect of the factors considered in the course of preparation of a tender proposal are set out under the paragraph headed "Operating Procedures" in this section above.

After entering into a formal contract, our quantity surveying department will monitor payments from the customer. For outstanding balances overdue, our management and project team will be alerted and appropriate follow-up actions will be taken.

Credit terms given to our customers are generally set out in the relevant contract. Generally, payment is due within 30-45 days after the issue of the progress certificate by the authorised person or the invoice date of the relevant contract (as the case may be). Settlement is normally made by cheque. The number of trade receivable turnover days is approximately 36.8 days, 37.2 days, 43.3 days and 43.6 days for each of the three years ended 31 December 2014 and the four months ended 30 April 2015, respectively. Further details on our trade receivable turnover days are set out in the paragraph headed "Financial Information — Analysis of Various Items from the Statements of Financial Position — Trade and other receivables" in this prospectus.

We do not make any general provision for doubtful debts. Our Directors determine specific provision for doubtful debts on a case-by-case basis. Factors taken into account for such purpose include length of business relationship, past reputation, financial strength and repayment history of the relevant customers. We did not make any provision for doubtful debts during the Track Record Period.

SALES AND MARKETING

During the Track Record Period and up to the Latest Practicable Date, projects undertaken by our Group were awarded by way of tender. Our Directors consider that our ability to offer competitive price, deliver quality works on time, past job references, reputation, qualifications, good relationships with customers and network in the industry are major factors considered by our customers in selecting their contractors.

Due to the general practice in awarding contracts in our industry as described above, we do not maintain a sales and marketing team nor carry out any advertising campaign. Our executive Directors focus on improving our capability on project execution and on maintaining good relationships with

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various industry participants in the private sector of the construction industry in Hong Kong such as developers, architects and civil engineers. From time to time, we participate in the sales and marketing activities and social events hosted by other industry players to keep abreast of the latest market developments and industry information. We constantly collect market news relating to the Hong Kong property market such as successful land tendering or auctions by developers in order to seek potential business opportunities. In addition, we monitor Hong Kong Government works forecasts and public tender notices by searching tender notices and other relevant information published on the websites of various governmental departments on a regular basis.

For foundation projects of the Housing Authority, we will receive “invitation of express of interest for tender” if such projects are related to the categories of large diameter bored piling, percussive piling or ground investigation. There have also been occasions where we were invited by developers or architects to submit tenders for foundation projects from private sector.

Although it is not a common practice for participants in our industry to implement direct marketing campaign, we undertake certain corporate enhancement activities such as putting up banners and/or signage displaying the names and logos of our Group at our construction sites in order to increase our Group’s presence in the industry.

SUPPLIERS AND SUBCONTRACTORS

Our materials and suppliers

Major construction materials used by us include concrete, steel bar, diesel and other metal materials which are sourced by our Group in Hong Kong. For each of the three years ended 31 December 2014 and the four months ended 30 April 2015, we incurred approximately HK\$421.1 million, HK\$406.9 million, HK\$390.6 million and HK\$170.6 million respectively in construction materials costs, representing approximately 47.6%, 41.4%, 35.4% and 36.5% respectively of our total cost of sales for the corresponding period respectively. Please refer to the paragraph headed “Financial Information — Principal Components of Results of Operations — Cost of sales” in this prospectus for the sensitivity analysis in relation to the materials costs.

For projects which we are engaged as main contractor, unless otherwise specified by our customers, we select our suppliers from our approved list of suppliers and procure construction materials required for carrying out of our works as well as that of our subcontractors.

For other projects which we act as subcontractor, we procure construction materials through the project owner or the main contractors or their specified suppliers, as the case may be, in accordance with the subcontracting contracts. If there is no such requirement set out in the relevant contracts, we source the construction materials from our approved list of suppliers.

As at the Latest Practicable Date, there were approximately 385 suppliers on our list of approved suppliers, which is reviewed and updated periodically. The admission of suppliers onto our approved list is subject to assessment of various factors including track record, pricing, product quality, market reputation, timeliness of delivery, financial conditions and after-sales services.

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We have not entered into any long term supply agreements with our suppliers, as we consider that our comprehensive list of approved suppliers already assures a reasonably diversified base of reliable suppliers which offer competitive prices. However, for construction materials which are frequently used by us, such as diesel and steel bar, we generally enter into contracts with our suppliers for purchase in bulk in order to ensure stable supply of these materials. During the Track Record Period, we have not experienced any significant delay in delivery of construction materials by our suppliers which caused disruption to our works.

Our top five suppliers

Construction materials costs incurred for our largest supplier (excluding our subcontractors) accounted for approximately 19.2%, 12.9%, 9.7% and 13.8% of our total construction materials costs, respectively, for each of the three years ended 31 December 2014 and the four months ended 30 April 2015, and construction materials costs incurred for our five largest suppliers (excluding our subcontractors) for each of the three years ended 31 December 2014 and the four months ended 30 April 2015 accounted for approximately 55.4%, 49.0%, 36.2% and 44.9% of our total construction materials costs, respectively.

The following information sets out the profile of our top five suppliers (excluding our subcontractors) for the Track Record Period:

Year ended 31 December 2012

Name of Supplier	Major construction materials provided	Principal business of the supplier	Purchase	Approximate percentage to the total construction materials costs of our Group for that year	Business with the supplier commenced since
			<i>Approximate HK\$ million</i>	<i>(%)</i>	<i>(Note)</i>
Supplier A	High tensile deformed bars	A Hong Kong private company engaged in supply of steel bar	80.9	19.2	2009
Supplier B	Concrete	A Hong Kong private company engaged in supply of concrete	79.2	18.8	2008
Supplier C	High tensile steel bars	A Hong Kong private company engaged in supply of steel bar	30.2	7.2	2011
Supplier D	Steel	A Hong Kong private company engaged in supply of steel	22.2	5.3	2009
Supplier E	Steel	A Hong Kong private company engaged in supply of steel	20.7	4.9	2008

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Year ended 31 December 2013

<u>Name of Supplier</u>	<u>Major construction materials provided</u>	<u>Principal business of the supplier</u>	<u>Purchase</u>	<u>Approximate percentage to the total construction materials costs of our Group for that year</u>	<u>Business with the supplier commenced since</u>
			<i>Approximate HK\$ million</i>	<i>(%)</i>	<i>(Note)</i>
Supplier B	Concrete	A Hong Kong private company engaged in supply of concrete	52.5	12.9	2008
Supplier F	Steel reinforcement bars	A Hong Kong private company engaged in supply of steel bar	46.6	11.5	2012
Supplier G	Steel	A Hong Kong private company engaged in supply of steel	34.4	8.5	2009
Supplier D	Steel	A Hong Kong private company engaged in supply of steel	33.2	8.2	2009
Supplier E	Steel	A Hong Kong private company engaged in supply of steel	32.1	7.9	2008

Year ended 31 December 2014

<u>Name of Supplier</u>	<u>Major construction materials provided</u>	<u>Principal business of the supplier</u>	<u>Purchase</u>	<u>Approximate percentage to the total construction materials costs of our Group for that year</u>	<u>Business with the supplier commenced since</u>
			<i>Approximate HK\$ million</i>	<i>(%)</i>	<i>(Note)</i>
Supplier H	Diesel	A subsidiary of a global petroleum products company in Hong Kong	37.7	9.7	2013
Supplier A	High tensile deformed bars	A Hong Kong private company engaged in supply of steel bar	27.9	7.1	2009
Supplier F	Steel reinforcement bars	A Hong Kong private company engaged in supply of steel bar	25.8	6.6	2012
Supplier I	Concrete	A Hong Kong private company engaged in supply of concrete	25.6	6.6	2009
Supplier E	Steel	A Hong Kong private company engaged in supply of steel	24.4	6.2	2008

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Four months ended 30 April 2015

<u>Name of Supplier</u>	<u>Major construction materials provided</u>	<u>Principal business of the supplier</u>	<u>Purchase</u>	<u>Approximate percentage to the total construction materials costs of our Group for that period</u>	<u>Business with the supplier commenced since</u>
			<i>Approximate HK\$ million</i>	<i>(%)</i>	<i>(Note)</i>
Supplier J	Concrete	A Hong Kong incorporated company engaged in supply of concrete and is a subsidiary of a company listed in Hong Kong	23.6	13.8	2009
Supplier F	Steel reinforcement bars	A Hong Kong private company engaged in supply of steel bar	19.6	11.5	2012
Supplier H	Diesel	A subsidiary of a global petroleum products company in Hong Kong	14.2	8.3	2013
Supplier E	Steel	A Hong Kong private company engaged in supply of steel	13.6	8.0	2008
Supplier G	Steel	A Hong Kong private company engaged in supply of steel	5.7	3.3	2009

Note: This information is compiled based on our internal records.

So far as is known to our Directors, none of our Directors, their respective close associates or any Shareholder (who or which, to the best knowledge of the 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 during the Track Record Period. All these five largest suppliers are Independent Third Parties.

Payment terms with our suppliers

Construction materials purchased by us are normally settled by cheque payments in Hong Kong dollars. Our suppliers normally grant to us credit period of approximately 30 days. When the construction materials are purchased via the project owners and/or the main contractors, payments are settled by way of contra-charge to the account with such project owners and/or main contractors whereby payments due to our Group from such project owners and/or main contractors are settled after netting off the cost of construction materials purchased via them.

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Inventory

During the Track Record Period, our Group's inventory comprised of steel bar and other metal materials that remained unused at the end of the financial year/period. Such excess inventory of construction materials is stored at our depot. Our Group does not make general provision for inventory as our construction materials have relatively long useful life and would not by nature become obsolete easily. As at the end of each of the three years ended 31 December 2014 and the four months ended 30 April 2015, our Group's inventory amounted to approximately HK\$2.2 million, HK\$3.6 million, HK\$3.1 million and HK\$2.4 million respectively.

Subcontracting

In order to better ensure our work quality and to avoid over-reliance on external parties, it is our Group's strategy to carry out works by ourselves, to the largest possible extent as permitted by our available internal resources, in all phases of the project cycle including designing, project management and production. As such, we maintain a workforce of skilled labour in different specialised areas and invest in a fleet of machinery and equipment for our business.

However, as the entire process of a foundation project involves many kinds of works, it is impractical for us to undertake each part of the works involved directly. Our Group considers design and project management as critical parts of a foundation project and hence we perform these works by our own staff. Project production, on the other hand, involves a series of work flows and processes where we would focus on those principal procedures such as rock drilling, pile excavation and concreting. For other works or procedures which we consider less crucial in the production process, or which are not commonly included in our usual contracts awarded, we would subcontract them to other external parties. Such subcontracting works include steel cage fabrication, welding, ELS works, site formation, pile cap construction and lab-testing. During the Track Record Period and up to the Latest Practicable Date, most of the projects undertaken by our Group involved certain degree of subcontracting, which we consider in line with the common practice of the foundation industry in Hong Kong.

Our subcontracting charges amounted to approximately HK\$221.2 million, HK\$310.4 million, HK\$382.7 million and HK\$150.2 million respectively, representing approximately 25.0%, 31.6%, 34.7% and 32.1% respectively of our total cost of sales for each of the three years ended 31 December 2014 and the four months ended 30 April 2015.

Criteria for selecting subcontractors

Our Group maintains an approved list of subcontractors, which are selected based on their past experience, qualifications, quality of work, reputation in the industry, capability, price competitiveness, credit-worthiness and their safety and environmental records. As at the Latest Practicable Date, we had about 336 subcontractors on our approved list of subcontractors. We believe that our stable relationship with our subcontractors enables us to have a thorough understanding and assessment of their performance over the years, which in turn allows us to ensure their quality of works. To avoid relying on a few subcontractors to perform tasks which require specific skills or licenses, we maintain more than one subcontractor for each area of expertise on our pre-approved list

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of subcontractors, such as pile cap construction, site formation and ELS works. We will review and update our approval list from time to time. During the Track Record Period, none of the subcontractors were removed from our approved list of subcontractors due to poor performance in subcontracting works.

Save for the subcontracting arrangements between operating subsidiaries of our Group, we confirmed that all of our subcontractors are Independent Third Parties. Our Directors consider that there are sufficient subcontractors in the market to whom we can delegate our works if required. As disclosed above, as we had about 336 subcontractors on our approved list of subcontractors as at the Latest Practicable Date, we are flexible to engage alternative subcontractors to take up part of our works.

Our top five subcontractors

Subcontracting charges attributable to our largest subcontractor for each of the three years ended 31 December 2014 and the four months ended 30 April 2015 accounted for approximately 39.5%, 32.0%, 19.4% and 25.9% of our total subcontracting charges, respectively, while our five largest subcontractors for each of the three years ended 31 December 2014 and the four months ended 30 April 2015 accounted for approximately 68.7%, 63.9%, 41.8% and 49.3% of our total subcontracting charges, respectively.

The following sets out the profile of our top five subcontractors for the Track Record Period:

Year ended 31 December 2012

Name of Subcontractor	Subcontracting service provided	Principal business of the subcontractor	Subcontracting charges	Approximate percentage to the total subcontracting charges of our Group for that year	Business with the subcontractor commenced since
			<i>Approximate HK\$ million</i>	<i>(%)</i>	<i>(Note)</i>
Subcontractor A	Pile cap construction	A private company in Hong Kong engaged in foundation works	87.3	39.5	2007
Subcontractor B	Pre-bored and grouting	A private company in Hong Kong engaged in pre-bored and grouting	20.1	9.1	2008
Subcontractor C	Soil disposal	A private company in Hong Kong engaged in waste disposal	17.2	7.8	2002
Subcontractor D	Pre-bored and grouting	A private company in Hong Kong engaged in pre-bored and grouting	14.0	6.3	2009
Subcontractor E	Pile cap construction	A private company in Hong Kong engaged in foundation works	13.3	6.0	2008

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Year ended 31 December 2013

Name of Subcontractor	Subcontracting service provided	Principal business of the subcontractor	Subcontracting charges	Approximate percentage to the total subcontracting charges of our Group for that year	Business with the subcontractor commenced since
			<i>Approximate HK\$ million</i>	(%)	<i>(Note)</i>
Subcontractor A	Pile cap construction	A private company in Hong Kong engaged in foundation works	99.3	32.0	2007
Subcontractor F	Pile cap construction	A private company in Hong Kong engaged in foundation works	36.5	11.8	2012
Subcontractor G	Pile cap construction	A private company in Hong Kong engaged in foundation works	24.1	7.8	2012
Subcontractor B	Pre-bored and grouting	A private company in Hong Kong engaged in pre-bored and grouting	21.6	7.0	2008
Subcontractor C	Soil disposal	A private company in Hong Kong engaged in waste disposal	16.3	5.3	2002

Year ended 31 December 2014

Name of Subcontractor	Subcontracting service provided	Principal business of the subcontractor	Subcontracting charges	Approximate percentage to the total subcontracting charges of our Group for that year	Business with the subcontractor commenced since
			<i>Approximate HK\$ million</i>	(%)	<i>(Note)</i>
Subcontractor F	Pile cap construction	A private company in Hong Kong engaged in foundation works	74.1	19.4	2012
Subcontractor A	Pile cap construction	A private company in Hong Kong engaged in foundation works	27.2	7.1	2007
Subcontractor C	Soil disposal	A private company in Hong Kong engaged in waste disposal	22.1	5.8	2002
Subcontractor B	Pre-bored and grouting	A private company in Hong Kong engaged in pre-bored and grouting	19.5	5.1	2008
Subcontractor H	Bored pile	A private company in Hong Kong engaged in foundation works	17.0	4.4	2013

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Four months ended 30 April 2015

Name of Subcontractor	Subcontracting service provided	Principal business of the subcontractor	Subcontracting charges	Approximate percentage to the total subcontracting charges of our Group for that period	Business with the subcontractor commenced since
			<i>Approximate HK\$ million</i>	<i>(%)</i>	<i>(Note)</i>
Subcontractor F	Pile cap construction	A private company in Hong Kong engaged in foundation works	38.9	25.9	2012
Subcontractor C	Soil disposal	A private company in Hong Kong engaged in waste disposal	11.9	7.9	2002
Subcontractor I	Pre-bored and grouting	A private company in Hong Kong engaged in pre-bored and grouting	9.8	6.5	2005
Subcontractor D	Pre-bored and grouting	A private company in Hong Kong engaged in pre-bored and grouting	7.0	4.7	2009
Subcontractor J	Pile cap construction	A private company in Hong Kong engaged in foundation works	6.4	4.3	2015

Note: This information is compiled based on our internal records.

So far as is known to our Directors, none of our Directors, their respective close associates or any Shareholder (who or which, to the best knowledge of the 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 subcontractors during the Track Record Period. All these five largest subcontractors are Independent Third Parties.

Usual terms of contracts with our subcontractors

Our subcontractors are not our employees or agents. We do not have any employment arrangement with our subcontractors and their employees. Instead, we enter into separate contracts with them for every subcontracting arrangement which, to certain extent, vary in accordance with the terms of the main contracts with the project owners or main contractors (as the case may be) for meeting the contractual requirements of our customers. In general, however, the agreements with our subcontractors also include the following principal terms:

- adoption of retention money;
- implementation of safety measures;

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- subcontractors' obligations to follow the reasonable instructions given by our representatives; and
- subcontractors' obligations to attend meetings, if so required by us.

For certain minor works such as welding, the contracts with our subcontractors generally only cover basic terms including scope and quantity of work, payment terms and retention money.

Subcontracting charges and payment to our subcontractors

The subcontracting charges are usually invoiced on a monthly basis with reference to the value of actual work done or the actual time spent in performing the subcontracted task. Our subcontractors normally grant to us credit period of approximately 30 days. Upon receipt of their 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 works performed by the subcontractors. Payment is normally made within one to two months from the date of invoice and is made by way of cheque in Hong Kong dollars. In the event that we provide construction materials to our subcontractors, the relevant costs of construction materials will be deducted from the subcontracting charges before payment is made to them.

During the Track Record Period, we did not have any material dispute relating to settlement of subcontracting charges with our subcontractors. Our Directors are of the view that we have maintained good working relationships with our subcontractors.

Vicarious liability and control measures

In general, pursuant to either the main contracts with the project owners or subcontracting agreements with the main contractors, we may be liable to our customers for the performance of our subcontractors. These include the acts, defaults or neglects of the subcontractors. Under the usual terms of contracts with our subcontractors, it is the subcontractors' obligations to rectify all defects or other faults in the subcontracted works that they perform within a reasonable time after receiving instruction from us.

Nevertheless, in order to control and ensure the quality and progress of the works of our subcontractors, we typically engage subcontractors who have been working with us for years. When required, our Group's project management team will hold technical interviews to assess the subcontractors' capability and understanding of the works before awarding them the subcontractor contracts. For ensuring their quality of works, they are not allowed to further subcontract their works without our prior consent.

Besides, our project management team established certain standard procedures to monitor the work performance of the subcontractors. Job performance of subcontractors will be verified by (i) conducting meeting with subcontractors' responsible personnel to review their performance; (ii) monitoring subcontractors on works in progress and/or (iii) performing inspection or checking on

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subcontractors' works by our project management team. In addition, in case we are aware of any failure by our subcontractor to strictly adhere with our safety policy, we will conduct meeting with such subcontractor during which it will be required to provide explanation for such failure. Based on the above, our Directors are of the view that the risk of losses or claims caused by the substandard performance of works or delay caused by our subcontractors is low and that our control measures in relation to subcontractor supervision are adequate and effective. During the Track Record Period, our Group did not experience any material problems (such as substandard quality of works or delay in completion) with any of our subcontractors and did not receive any material complaints from our customers on the works performed by them.

Apart from the performance of our subcontractors, we may also be liable to any potential employees compensation claims and personal injuries claims made by the employees of our subcontractors arising from work injuries as may happen from time to time. In this regard, we maintain insurance policies to fully cover such liabilities and our project managers, safety officers and environmental officers will make regular site visits to ensure compliance by our subcontractors in all respects with all safety and environmental requirements. Before the commencement and during the course of the subcontracting works, our Group will provide safety training and supply our subcontractors with our internal guidelines on safety and environmental issues and will also hold regular meetings to update and report on such issues.

The employees of our subcontractors are required to possess all relevant qualifications or certificates or permits to work at the construction sites as required under the relevant laws and regulations. Our subcontractors are not permitted to commence any works unless all the relevant certificates or permits of their employees required for the carrying out of the relevant subcontracting works are given to the relevant project management team for registration. We are also committed to the prohibition of recruitment of illegal workers. We require all workers (including those employed by our subcontractors) entering our sites to gain entry on arrival using their access cards which contain their record. Those who fail to produce their access cards will be denied access to our sites. During the Track Record Period, no illegal workers were reported on the sites of any of our foundation projects.

MACHINERY AND EQUIPMENT

Most of the works involved in our foundation projects require the use of specialised machinery and equipment. We have been investing substantial amount in acquiring a broad range of machinery and equipment, most of which are manufactured in Europe, Japan and South Korea. We believe that our investment in machinery and equipment has placed us in a strong position to proactively exploit market opportunities and compete cost effectively for foundation projects of different sizes. Our direct control over our machinery and equipment also allows us to avoid over-reliance on leasing from external parties.

Our acquisition of machinery and equipment is generally funded by internal resources or financed through finance lease arrangements with financial institutions. During the Track Record Period, our Group had entered into finance lease agreements with financial institutions with terms

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ranging from four to five years for leasing of 13 sets of machinery including crawler cranes, casing oscillators, drilling rigs, boring rigs and air compressors. Pursuant to the finance lease agreements, we are required to pay monthly rent to the financial institutions and are given the option to purchase these machinery at a nominal amount at the end of the term. The finance lease agreements carry an annual interest rate ranging from prime rate minus 2% to prime rate minus 1% per annum. As at 30 April 2015, all of the outstanding instalments payable under these finance lease agreements were fully settled and repaid.

Besides using our machinery and equipment in our operation, during the Track Record Period, we leased certain machinery from external parties after considering the utilization of our machinery and the progress of our foundation projects. Usually the machinery leased from external parties includes crawler cranes, air compressors and generators, which are comparatively common in nature and generally there is no difficulty in leasing them in the market. If required, licensed operators for crawler cranes will also be provided by our suppliers to assist us in operating these machinery. Our Directors believe that the rental arrangement of certain machinery which we consider is in general commonly used in our operation could enhance our flexibility when tendering for different sizes of piling construction projects as we could either utilise our own machinery or lease from external parties depending on our capacity at the relevant time. The leasing arrangement could also allow us to allocate our resources more effectively to acquire those machinery which we consider is less readily available to be rented from external parties. For each of the three years ended 31 December 2014 and the four months ended 30 April 2015 respectively, the total costs for machinery leasing amounted to approximately HK\$12.6 million, HK\$8.6 million, HK\$13.1 million and HK\$1.9 million respectively.

For each of the three years ended 31 December 2014 and the four months ended 30 April 2015, we acquired new machinery in the amount of approximately HK\$50.1 million, HK\$93.5 million, HK\$71.6 million and HK\$51.9 million, respectively. As at 30 April 2015, the aggregate gross amount of our machinery and equipment as recorded in the combined balance sheets of our Group amounted to approximately HK\$632.3 million, with the aggregate net book value of approximately HK\$300.5 million.

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The principal machinery of our Group as at 30 April 2015 include the following:

<u>Machinery</u>	<u>Number of units</u>	<u>Countries of origin</u>	<u>Function and usage</u>	<u>Approximate weighted average remaining useful life (years)</u>	<u>Acquisition costs</u>
				<i>(Note 1)</i>	<i>(HK\$'000)</i>
Crawler Cranes	28	Austria, Japan	— Used for grabbing, chiseling and lifting during bored piling operations	5	195,611
Hydraulic Oscillators	25	South Korea, Germany	— Used together with the crawler crane to drive pile casing into the ground to protect the bored hole	1	63,369
Vibrators	4	France	— Used together with service crane to drive down or up the pile casing or sheet pile to/from the ground	8	9,188
Reverse Circulation Drills	18	Italy, Germany, South Korea	— Used to drill through hard materials to form large diameter bore in the ground	3	88,958
Hammer Grabs	29	South Korea, Germany	— Used together with crawler cranes to extract soil and other hard material inside out from the bore in the pile casing	1	13,885
Drilling Rigs	13	Hong Kong, China	— A track mounted machine used with hydraulic drilling equipment in socketed H-piling or mini-piling	7	31,328
Air compressors	41	Belgium, China	— Used in conjunction with a reverse circulation drills to remove the remaining fine soil and rock fragments in the pre-bored holes after the excavation process	4	23,856
Others <i>(Note 2)</i>					<u>184,585</u>
				Total	<u><u>610,780</u></u>

Notes:

- The average remaining useful life of our machinery as set out in the above table is based on the weighted average of the remaining depreciable period of each unit of machinery determined in accordance with our applicable accounting policies, under which the depreciation is calculated using the straight line method to allocate their costs to their residual values over the estimated useful lives. The principal annual rates used for calculation of depreciation for our machinery range from 6% — 25%. When the machinery is fully depreciated, the remaining useful life will be zero and results in a lower weighted average remaining useful life.
- Other types of machinery and equipment include casing, rock chisel and other equipment such as waste water treatment systems, welding machines, diesel engine and hydraulic excavator with acquisition costs of approximately HK\$64.4 million, HK\$12.3 million and HK\$107.9 million, respectively.

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Certain of our machinery such as hydraulic oscillators, reverse circulation drills and hammer grabs had been bought for a number of years and were fully depreciated, resulting in a low weighted average remaining useful life from the prospective under our accounting policies. However, we place high importance to the maintenance of our machinery and equipment, as we believe that their condition is crucial for us to carry out foundation works smoothly and efficiently and is, in particular, directly related to the safety of our workers. Generally the repairs and maintenance works of our machinery are handled by our repair and maintenance team at our depot in Yuen Long, Hong Kong with an area of about 180,000 sq.ft. leased from Skyview Development Limited, an Independent Third Party. For each of the three years ended 31 December 2014 and the four months ended 30 April 2015, our expenses in repairing and maintaining our machinery and equipment, including the expenses of purchasing consumable machinery spare parts for regular replacement, accounted for approximately HK\$15.5 million, HK\$16.0 million, HK\$18.5 million and HK\$8.5 million respectively. Some of our machineries are inspected and serviced regularly, where the frequency of inspection and servicing depends on the type of the machinery, the frequency of usage and the working conditions at the sites. Our Directors consider that we maintain our existing machinery and equipment (including machinery which is fully depreciated) in good condition and that those fully depreciated machinery is still being used in our operations. During the Track Record Period, we only disposed of machinery which had become obsolete for an aggregate net book value of approximately HK\$7.4 million. Nevertheless, in order to expand our capacity and to keep our machinery operating at their most efficient manner, our Group has formulated machinery acquisition plan for each year and would focus on those types of machinery which we consider to be frequently used for our upcoming projects or those which had been bought and in use for a number of years. We do not have a specific schedule for replacement of particular aged machinery and only replace them when necessary. Subsequent to 30 April 2015 and up to the Latest Practicable Date, we acquired one crawler crane, one hammer grab, eight air compressors, two down-the-hole hammers, six grouting pumps and other accessory tools amounting to approximately HK\$26.0 million and the amount of depreciation expenses for these newly acquired machinery is estimated to be approximately HK\$1.3 million and HK\$2.6 million for the years ending 31 December 2015 and 2016 respectively. We financed such capital expenditure through our Group's internal resources.

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

- (i) the utilisation rate of individual machinery cannot be clearly defined. A typical foundation project requires the use of different machinery at different stages, and machinery from time to time are left unused in active sites pending completion of other stages. Machinery are also sometimes left unused for repairing, assembling or disassembling in sites. For these reasons, it is our Directors' view that it would be difficult and even infeasible to define accurate utilisation rate of machines in general; and
- (ii) as set out in the fixed asset register of our Group as at 30 April 2015, we had over 2,000 items of machinery, equipment and tools and over 10 types of machinery of various sizes and capacity. Given the number of machinery owned by our Group, it is impractical for us to make a full account of the daily/hourly usage of each individual machine.

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Although our Group does not quantify the utilisation rate of our machinery due to the above reasons, our Directors and management do monitor the overall deployment of our machinery in each of our construction site. We assess the current utilisation and anticipated need for our different types of machinery and formulate acquisition plan based on the status of our projects on hand, the number of our projects in the pipeline and their specific requirements, and our assessment on the availability and condition of our existing machinery. Our Directors consider that the principal machinery for our operations such as crawler crane, hydraulic oscillators (with diameter of three meters or above) and reverse circulation drills are for most of the time being deployed and utilised for our construction projects. Having taken into account the above factors and in order to cope with our business strategies to compete for sizeable foundation projects, we intend to apply approximately HK\$111.5 million or approximately 60.0% of the net proceeds from the Global Offering to acquire new machinery to expand our capacity and enhance our project implementation capability in the next three years ending 31 December 2017. For further details, please refer to the section headed “Future Plans and Proposed Use of Proceeds” in this prospectus.

Machinery leased to other parties

Our machinery are usually mobilised among the construction sites. Unutilised machinery will be temporarily stored in our warehouse as mentioned above. Occasionally, our machinery are leased to other third party foundation contractors. However, we are not actively pursuing (and do not intend to pursue actively) business opportunities in machinery leasing, as such activities are conducted only for increasing utilisation of idling resources.

For each of the three years ended 31 December 2014 and the four months ended 30 April 2015, our Group derived income from leasing machinery and equipment to third parties of approximately HK\$2.7 million, HK\$2.6 million, HK\$1.1 million and nil, respectively.

QUALITY CONTROL

Our Group considers that our ability to deliver quality work on time and within our pre-determined project budget is an important attribute to the success of our Group. We have maintained a quality management system which follows the ISO 9001 standards in order to execute the quality control policy of our Group. The quality management system of Kin Wing Engineering and Kin Wing Foundations have been ISO 9001 certified since 1995 and 2006 respectively while DrillTech Ground and DrillTech Geotechnical were accredited with ISO9001 since 1998 and 2008 respectively. Their respective current ISO 9001:2008 certificates are valid until January 2016.

Our Group’s quality management system is contained in our project quality plan which sets out the steps to be carried out throughout the foundation works process from pre-construction stage to maintenance stage. To ensure that our works meet the required standard, we normally assign one foreman on a full time basis at each of the construction sites as the first line of monitoring the quality of foundation works done by our own staff and, as the case may be, our sub-subcontractors. Our project manager makes visits to construction sites for which he is responsible and monitors the work quality, the progress of work and ensure that works are completed according to schedule.

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

ENVIRONMENT

Our Directors believe that it is essential for us to act as an environmentally responsible contractor to meet the customers' demands in environmental protection and the expectation of the community for a healthy living environment.

We are committed to minimizing any adverse impact on the environment resulting from our business activities. In addition to complying with the relevant laws and regulations in relation to environmental protection as set out in the section headed "Laws and Regulations" in this prospectus, we also endeavour to meet the requirements of certain industry's codes of practice such as the BEAM Plus New Buildings issued by the Hong Kong Green Building Council and the BEAM Society.

We established an environmental management system in our operations and were awarded the ISO 14001:2004 certification (*environmental management system standard*) in 2011. For Kin Wing Foundations and Kin Wing Engineering, their respective current ISO 14001:2004 certificates are valid until January 2016 and November 2016 respectively; for DrilTech Ground and DrilTech Geotechnical, their respective current ISO 14001:2004 certificates are valid until February 2017 and January 2016 respectively. We allocate resources to update our environment management system and maintain our ISO 14001:2004 certification (*environmental management system standard*) in order to reduce our risks related to environmental issues. We also require our subcontractors to comply with our environmental protection policy and encourage our staff to contribute towards sustainability by adopting environmentally friendly construction method and planning their works to efficiently eliminate waste to the maximum extent with the view to achieving long-term cost savings.

For each of the three years ended 31 December 2014 and the four months ended 30 April 2015, the annual cost of compliance with applicable environmental laws and regulations in Hong Kong were approximately HK\$14.6 million, HK\$12.5 million, HK\$9.0 million and HK\$3.2 million respectively, which primarily consisted of waste disposal charges and environmental-related ISO certification expenses.

We also established an energy management system and were awarded ISO 50001:2011 certificates in 2012, which remain valid until November 2015 to December 2015.

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SOCIAL RESPONSIBILITY

With the commitment to being a socially responsible corporation, we have developed and implemented good corporate policies in areas including environmental protection, staff management and development as well as occupational health and safety.

SAFETY AND INSURANCE

Health and work safety

We are committed to providing a safe and healthy working environment for the benefit of our employees and our subcontractors. It is our policy that management at all levels are responsible to treat health and safety at work as a matter of the highest priority and ensure that all reasonably practicable actions are taken to, among other things, (i) identify and reduce the risk of all types of work activities that may result in personal injury or illness, damage to property or the environment; and (ii) provide information, instruction, training and supervision to increase understanding and awareness of workplace hazards.

We were awarded OHSAS 18001:2007 certificate in 2011 as a recognition of the policies and procedures undertaken by our Group to address potential health and safety issues on our sites.

Due to the nature of works in the foundation industry, workers at the sites are prone to safety hazards. In order to provide a safe and healthy working environment for our employees and our subcontractors and to ensure compliance with the applicable laws and regulations in Hong Kong, we implement our safety control policy at the commencement and during the implementation period of each project.

Our safety control policy is documented in writing and supplemented with instructions, training and demonstrations. We require strict implementation of and adherence to our safety control policy. Our safety department is responsible for monitoring and implementing our safety plan. As at the Latest Practicable Date, our safety department consisted of 11 employees, five of them are qualified safety officers approved by the Labour Department. We will continue to put adequate resources and effort to uphold and improve our safety management in order to reduce our risks related to safety issues.

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

- our executive Directors and the general manager shall (i) establish, approve and ensure implementation of the safety plan and review the safety plan on an annual basis; (ii) arrange quarterly management meetings to review the implementation of safety policy; and (iii) discuss and countersign the monthly reports submitted by the safety officer;

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- our project manager for each project shall (i) ensure from the planning stage that safety systems of work are incorporated into our proposed construction methods, and are subsequently adhered to; and (ii) assist in reviewing the safety plan on an annual basis;
- our Executive Panel will visit our sites at which the project is on-going once every week;
- our safety manager shall (i) advise with the management on the legal requirements affecting safety and health and assist in reviewing the safety plan on an annual basis; (ii) anticipate possible hazards and recommend relevant procedures; (iii) carry out surveys and inspections to ensure that all relevant laws are being observed; (iv) submit monthly reports to the management, provide statistics and analysis on accidents and make recommendations for improvement;
- our safety officers shall (i) report and investigate accidents and dangerous occurrences, determine the causes and recommend means of preventing recurrence; and (ii) arrange safety training for all levels of employees and promote awareness of accident prevention;
- our safety supervisors shall (i) ensure compliance with relevant statutory duties and submit weekly reports to the safety officer; (ii) give instructions to site foreman and subcontractors on correct and safe working practices with the assistance of the registered safety officer; and (iii) take disciplinary actions against employees violating safety regulations and/or company safety procedures;
- our site agents shall ensure that all plant, machinery and equipment at the workplace conform with the relevant statutory requirement;
- our foremen shall co-operate with the safety officer/assistant safety officer to create good safety practices and ensure that all newcomers to the construction sites are aware of their safety obligations; and
- all site personnel will undergo initial induction training for at least half a day, including core topics such as safety plan, relevant health and safety regulations, emergency, rescue and typhoon procedure, hazards of the site, accident reporting and first aid procedures. Other matters pertinent at the time of induction, such as working at height, lifting operations, blasting and excavations will also be included. All supervisory personnel and operators will attend refresher courses at intervals of not exceeding twelve months.

Our safety control policy also sets out a safety monitor system which includes the following forms:

- Safety Survey: This is a detailed examination of a number of critical areas of operation or an in-depth study of all health and safety related activities in a workplace and will be conducted on a bi-monthly basis.

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- **Safety Tour:** This is an unscheduled examination of a working area, frequently undertaken as a group exercise by members of the safety committee (including site agent, safety officer, site foreman and the relevant subcontractor's representative) to assess general compliance with safety requirements.
- **Safety Audit:** A safety audit fundamentally subjects each area of an organization's activities to a systematic critical examination with the object of minimizing injury and loss. This will be conducted by project safety officer on a monthly basis.
- **Safety Inspection:** A scheduled inspection of premises or working area to assess levels of legal compliance and observation of our safety procedures. This will be conducted by project safety officer / assistant safety officer on a weekly basis.

We engaged Baker Tilly in March 2015 to perform a detailed evaluation of the adequacy and effectiveness of our Group's internal control system including the areas of operation, industrial safety management, compliance, finance and risk management. After its review of our Group's existing safety control policy, Baker Tilly is of the view that our Group has in place comprehensive procedures in relation to workplace health and safety and such procedures are adequate and effective for ensuring compliance with relevant laws and regulations.

In addition, under the Factories and Industrial Undertakings (Safety Management) Regulations (Chapter 59AF of the Laws of Hong Kong) (the "**Safety Management Regulation**"), any contractor in carrying out construction works with a contract value of HK\$100 million or more or having an aggregate of 100 or more workers in a day working in a single or two or more construction sites is obliged to appoint a registered safety auditor to conduct a safety audit to collect, assess and verify information on the efficiency, effectiveness and reliability of its safety management system at least once in every six months. During the Track Record Period, our Group appointed registered safety auditor to conduct several safety audits on Kin Wing Engineering and the respective projects undertaken by them as required under the Safety Management Regulation. These audits revealed that the safety management system adopted by our Group was in compliance with the requirements under the Safety Management Regulation.

Accidents during the Track Record Period

Although our Group has been implementing safety plan to mitigate the risks of accidents or injuries to workers, the occurrence of accidents or fatal injuries to workers at construction sites cannot be completely eliminated. Such risks are inherent due to the potentially hazardous environment and nature of works in the foundation industry. Therefore we may be subject to claims from employees for work-related injuries from time to time in our ordinary course of business.

For projects that we act as main contractor, when there is an accident at our site we require any injured worker or person who witnessed the accident to report to our site representative or safety office for the purposes of collecting information for processing employees' compensation claims as well as compliance with the relevant regulations in Hong Kong regarding the reporting of all work injuries at our sites to the Labour Department. For projects that we act as subcontractor, we require our workers or employees of our subcontractors to report any accident to us or the main contractors.

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To ensure proper recording and handling of work injuries, we follow a general procedure as below:

Steps	Actions
1. Fact finding and follow-up actions	<ul style="list-style-type: none">— Our safety officer will investigate the accident by visiting the accident scene, examining the equipment and/or material involved and taking statements from the injured worker, witness(es) of the accident and other personnel in relation to the project.— Remedial actions will be taken by our project management team to remove imminent danger and to prevent occurrence of similar accidents in the future. Our safety officer will also carry out follow-up inspection to ensure that remedial works are implemented.
2. Reporting	<ul style="list-style-type: none">— Our safety officer will prepare a work injury report and, if it is an employee injury reportable case, submit it to the Labour Department within the period as specified under the relevant laws and regulations.— Our administrative department will report to the insurance company and, where the claim is significant, consult external legal adviser.
3. Settlement or litigation	<ul style="list-style-type: none">— Settlement of any claim will be handled by the insurance company. If the insurance company and the injured person (or their respective representatives) do not agree on the settlement amount, the matter may be litigated.

During the Track Record Period and up to the Latest Practicable Date, there were 77 accidents which gave rise or may give rise to potential employees' compensation claims and personal injury claims. Out of the 77 accidents, 36 of them involved workers who were employed by our Group and 41 of them involved workers who were employed by our subcontractors. All of these accidents occurred in Hong Kong and had been reported to the Labour Department.

As at the Latest Practicable Date, out of the 77 accidents mentioned above, there were (i) 45 accidents in respect of which employees' compensation claims with an aggregate settlement amount of approximately HK\$7.5 million were settled; (ii) seven accidents in respect of which summons had been received and legal proceedings for employees' compensation claims and/or personal injury claims were commenced and outstanding; and (iii) 25 accidents in respect of which the injured persons have not yet filed any claims or commenced legal proceedings against our Group or the injured persons are still receiving periodical payments.

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The table below sets out the nature of the 77 accidents occurred during the Track Record Period and up to the Latest Practicable Date:

Nature of accident	Number of accident
Slipping on ground/falling from height	16
Improper/careless handling of equipment/materials	39
Hit by falling object	8
Injured when transporting materials	<u>14</u>
Total	<u><u>77</u></u>

For further details of outstanding litigation and potential claims relating to employees' compensation claims under Employees' Compensation Ordinance or personal injuries claims under common law, please refer to the paragraph headed "Litigation and Potential Claims" in this section.

We have taken out insurance in compliance with applicable laws and regulations with a view to providing sufficient coverage for such work-related injuries for employees and we have not incurred any material liabilities as a result thereof. As such, these incidents did not and are not expected to have a material impact on our Group's operations. For further details of our insurance policies, please refer to the paragraph headed "Safety and Insurance — Insurance" below in this section.

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

	Construction industry average rate	Our Group's rate
	<i>(Note 1)</i>	<i>(Note 2)</i>
For the year ended 31 December 2012		
Accident rate per 1,000 workers	44.3	17.9
Fatality rate per 1,000 workers	0.337	nil
For the year ended 31 December 2013		
Accident rate per 1,000 workers	40.8	14.2
Fatality rate per 1,000 workers	0.277	nil
For the year ended 31 December 2014		
Accident rate per 1,000 workers	41.9	13.4
Fatality rate per 1,000 workers	0.242	nil
For the four months ended 30 April 2015		
Accident rate per 1,000 workers	N/A	2.0
Fatality rate per 1,000 workers	N/A	nil

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Notes:

1. The figures are extracted from the Occupational Safety and Health Statistics Bulletin Issue No. 13 (June 2013), No. 14 (July 2014) and No. 15 (August 2015) issued by Occupational Safety and Health Branch, Labour Department. The statistic bulletin for 2015 has not yet been issued as at the Latest Practicable Date.
2. Our Group's rates are calculated with reference to the number of injuries divided by the daily average site workers in our Group's construction sites during the year and multiply the result by 1,000. The daily average site workers only consisted of employees of our Group. Given our Group is not responsible for the engagement of workers for our subcontractors and determining how many workers should be employed to carry out their works, and also the fact that the subcontractors did not provide our Group with the number of hours used to complete their subcontracted works, the daily average site workers relating to our subcontractors cannot be ascertained.

The accident rate at our construction sites was lower than the construction industry average in Hong Kong for the years ended 31 December 2012, 2013 and 2014. A comparison of the industry's average accident rate and that of our Group's for the four months ended 30 April 2015 is not available as there is no relevant industry average accident rate for such period as at the Latest Practicable Date. However, for the year ended 31 December 2014, there were two incidents involving fatal injuries at the construction sites in which our Group was engaged as a subcontractor. In the first incident, three workers employed by a sub-subcontractor of our Group were about to move a drilling rig to another spot. During which an accident occurred and one of these three workers was hit seriously and died. In the second incident, the forearm of the excavator operated by a person employed by our sub-subcontractor suddenly slewed and moved outward and struck a worker employed by another subcontractor, who subsequently passed away. For both of these incidents, the deceased and the workers operating the machinery which caused injuries to the deceased were not our employees. Nevertheless, these two cases resulted in two litigations against our Group and are still pending. For further details of outstanding litigations and claims against our Group, please refer to the paragraph headed "Litigation and Potential Claims" in this section.

As at the Latest Practicable Date, our Directors confirmed that our Group has not suffered from any removal, suspension, downgrading or demotion of our qualifications or licenses due to accidents or breaches of workplace safety regulations.

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

For the year ended 31 December 2012	0.51%
For the year ended 31 December 2013	0.89%
For the year ended 31 December 2014	0.74%
For the four months ended 30 April 2015	0.47%

Notes:

1. LTIFR is a frequency rate that shows how many lost time injuries (LTIs) occurred over a specified time worked in a period. The LTIFRs shown above are calculated as dividing the number of lost time injuries in terms of hours of our Group that occurred during the relevant financial year by the total number of hours worked by our Group's employees

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over that financial year. The total number of hours worked by our Group's employees for the three years ended 31 December 2014 and the four months ended 30 April 2015 were approximately 1,844,140 hours, 2,336,750 hours, 2,246,540 hours and 993,270 hours respectively. It is assumed that the working hour of each worker is 10 hours per day.

2. Our LTIs were determined based on the sick leave days granted to our Group's injured employees according to the relevant medical certificates received by our Group.

Despite the fact that Baker Tilly has conducted a review of our Group's existing safety control policy and concluded that we have comprehensive workplace health and safety procedures in place, in order to further strengthen our site safety controls and our subcontractors' awareness to properly follow and implement all of our safety control procedures, Baker Tilly has examined the background of the above two incidents and recommended certain internal control measures which we have adopted and implemented since 1 July 2015 as follows:

- the safety/operation manual (e.g. monitoring of the mast of the drilling rigs, safe-custody control over the keys of the critical site equipment, etc.) has been updated and circulated to the site staff to ensure that they are aware of the safety measures
- registers of control over keys of the critical site equipment have been established at the construction sites to ensure that keys are returned to the site offices after working hours to prevent unauthorized access to the site equipment within the construction sites outside the working hours
- various training programs about workplace safety operations at the construction sites (including training of safety operation of site equipment) have been provided to site workers to increase safety awareness of site workers
- subcontractors' application questionnaire for entering into our list of pre-approved subcontractors has been revised to include the assessment result of safety measures of the relevant subcontractors. Subcontractors are requested to provide the accident rate of the projects in which they were involved.

According to the results of the follow-up review performed by Baker Tilly from 15 June 2015 to 3 July 2015, our Group adopted and implemented all their recommendations. In view of our Group's response to the recommendations and the implementation of the internal control measures, Baker Tilly considers that our Group's enhanced internal control measures are adequate and effective.

Insurance

It is common practice in the Hong Kong foundation industry, as well as a term of most foundation contracts between main contractors and customers, that the main contractor of a project will take out and maintain employees' compensation insurance and contractor's all risks insurance for the entire project. The coverage of such insurance policies includes all works performed by the main contractor and all its subcontractors. However, the subcontractors are generally required to maintain insurance over their own machinery.

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Projects undertaken by us and the relevant employees are respectively protected by contractors' all risks and employees' compensation insurance. Depending on the terms of the relevant contracts, such insurances are taken out either by the main contractors (in the case of us being a subcontractor) or us. When acting as a subcontractor, we generally will not take out separate insurance policies but will rely on the insurance policies taken out and maintained by the relevant main contractor. Our reliance on the main contractors' insurance policies is explicitly provided for in the relevant subcontracting agreements.

Our Group has insurance cover for its liabilities under employees' compensation and personal injury claims which meets the statutory minimum insurance coverage. Our Group considers such insurance coverage being generally sufficient for its liabilities under employees' compensation claims and personal injuries actions. For machinery acquired under finance leases, it is also usual practice for us to maintain insurance coverage over those machines.

For each of the three years ended 31 December 2014 and the four months ended 30 April 2015, our insurance expenses were approximately HK\$25.9 million, HK\$25.1 million, HK\$28.2 million and HK\$3.0 million respectively, which primarily consisted of contractors' all risks insurance, employees' compensation insurance for both site labor and office staff; and insurance for machinery located in our depot. As insurance expenses are primarily incurred at the commencement of our projects and due to the fact that there were less projects being commenced during the four months ended 30 April 2015, our insurance expenses for such period was substantially lower proportionally compared with other financial years during the Track Record Period. Taking into account the prevailing industry practice and our current operations, our Directors believe that we have obtained adequate insurance coverage for the operation of our business and is consistent with industry norm.

MARKET AND COMPETITION

According to the Ipsos Report, the foundation industry in Hong Kong was consolidated. The total revenue generated from the foundation industry in Hong Kong in 2014 was approximately HK\$19.4 billion, of which approximately 48.7% was contributed by the top 5 foundation works contractors. For the financial year ended 31 December 2014, our Group's revenue in piling construction and ancillary services amounted to approximately HK\$1,233 million which accounted for approximately 6.3% of the total market share and ranked the fourth in the piling construction industry in Hong Kong in 2014.

As set out in the paragraph headed "Laws and Regulations — Hong Kong Laws — Laws and regulations in relation to the contractor licensing regime" in this prospectus, in order to undertake private sector foundation works as main contractor, a contractor must be registered with the Building Department as a registered specialist contractor under the categories relevant to the projects concerned, unless the main contractor subcontracts those works to a registered specialist contractor with the required qualifications.

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As for public sector foundation works, a contractor must be included in the Approved Specialist List which is administered by the WBDB under the relevant categories. Different limits on the contract values of project that a contractor is allowed to undertake is set for contractors holding different categories of licenses with the WBDB. In granting a registration/approval to a foundation contractor, WBDB takes into consideration, among other things, (a) the contractor's financial strength; (b) the contractor's technical experience and management capability; and (c) the machinery and equipment maintained by the contractor.

In addition to being registered as a specialist contractor of the relevant category under the Buildings Ordinance, a contractor is also required to be included in the "Housing Authority List of Piling Contractors" or the "Housing Authority List of Ground Investigation Contractors" in order to tender for piling construction or ground investigation projects of the Housing Authority. According to the Ipsos Report, as of the Latest Practicable Date, there were 136 contractors registered under the Building Authority as specialist contractors (sub-register of foundation works category), and 40 contractors registered under the Development Bureau as specialist contractors for public works under the land piling category. Please refer to the paragraph headed "Industry Overview — Competitive Landscape of the Foundation Industry in Hong Kong — Factors affecting competition" in this prospectus for details of the number of registrations for each segment.

Our Directors consider that there are market barriers which hinder the entrance of new participants in the foundation industry. Based on the Ipsos Report, such market barriers include (i) lack of industry reputation; (ii) significant amount of initial capital required; and (iii) lack of industry experience. For further details, please refer to the paragraph headed "Industry Overview — Competitive Landscape of the Foundation Industry in Hong Kong — Entry barriers in the foundation industry in Hong Kong" in this prospectus.

As mentioned in the paragraph headed "Competitive Strengths" in this section above, we are currently one of the only four foundation piling contractors who are admitted onto the Housing Authority list of contractors in all three categories, namely the "large diameter bored piling", "percussive piling" and "ground investigation works" categories as at the Latest Practicable Date. Our Directors believe that with our proven track record and renowned reputation in the industry, and our broad range of machinery and qualifications, we are able to maintain a competitive position in the foundation industry in Hong Kong.

INTELLECTUAL PROPERTY RIGHTS

We have marketed our business of piling construction in Hong Kong by using  and "Kin Wing" as our brand name and our business of drilling and site investigation by using  and "DrilTech" as our brand name. We have applied for registration of our trademarks in Hong Kong. We are also the registered owner of the domain names *kinwing.com.hk*, *driltech.com.hk* and *chinneykinwing.com.hk*. Detailed information of our intellectual property rights is set out in the paragraph headed "Statutory and General Information — B. Further information about the Business — 2. Our intellectual property rights" in Appendix IV to this prospectus.

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As at the Latest Practicable Date, we are not aware of any infringement (i) by our Group of any intellectual property rights owned by any third parties; or (ii) by any third party of any intellectual property rights owned by us. During the Track Record Period and up to the Latest Practicable Date, there had not been any pending or threatened material claims made against us, nor had there been any material claims made by us against third parties, with respect to the infringement of intellectual property rights owned by us or third parties.

EMPLOYEES

As at the Latest Practicable Date, we had 534 full-time employees who were directly employed by our Group. A breakdown of our employees by function as at the same date is set out below:

	<u>As at the Latest Practicable Date</u>
Directors (of our Company and its subsidiaries)	14
Tender and design	15
Project management	77
Production	336
Geotechnical and geologist departments	8
Quantity Survey	10
Safety, quality and environmental assurance	15
Procurement	5
Plant and machinery maintenance	27
Administration, accounting and finance	27
Total	<u><u>534</u></u>

We believe that the relationship and co-operation between our management and employees have been good and are expected to remain amicable in the future. There has not been any incident of strike or labour shortage or material labour dispute during the Track Record Period, which adversely affected our operations.

Our employees are important assets to our Group. We believe that continuous staff training and development is a key to preserve our valuable human resources and also imperative to our emphasis on safety. For our new recruits, we offer induction training courses which not only cover the technical aspects such as the basic knowledge and skills needed for their works, but also pay much emphasis on introducing our corporate culture and occupational safety, with the aim at building up loyalty and enhancing safety consciousness when working in the construction sites.

We also provide ongoing training programs for our employees. Some of these courses are compulsory for on-site workers to maintain their licenses while some are optional to enhance their performance and improve their technical expertise. These internal courses are generally conducted by

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our senior management teams covering topics such as safety working procedures, first aids, machinery operations, and other specific areas in foundation piling. Apart from internal courses, we offer educational subsidy program to selected staff which allows them to enroll professional courses from external organizations. In addition, in order to provide a path for upward mobility within our Group, we offer training scheme to certain selected employees and provide them with the requisite training to assist them to qualify as registered engineers. We believe that these measures increase the overall morale and loyalty to our Group, and also serve as a means of retaining quality employees.

The remuneration package we offer to our employees includes salary, discretionary bonuses and allowance. We review the performance of our employees from time to time in order to determine salary adjustments and promotion appraisals.

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 we lease all of the premises occupied by us. As at the Latest Practicable Date, we leased the following properties in Hong Kong as our offices:

- a portion of the office at 23/F, Wing On Centre, 111 Connaught Road Central, Hong Kong;
- Unit AB, 8/F, Hong Kong Spinners Industrial Building, Phase 6, No. 481 to 483 Castle Peak Road, Kowloon, Hong Kong;
- Unit AB, 9/F, Hong Kong Spinners Industrial Building, Phase 6, No. 481 to 483 Castle Peak Road, Kowloon, Hong Kong; and
- Unit C, 9/F, Hong Kong Spinners Industrial Building, Phase 6, No. 481 to 483 Castle Peak Road, Kowloon, Hong Kong.

Those properties are leased from connected persons of our Group, the details of which are set out in the section headed “Connected Transactions” in this prospectus.

We currently also lease a parcel of land comprising 20 lots with an aggregate gross land area of approximately 180,000 sq.ft. in Yuen Long, Hong Kong (the “**Land**”) under a sub-tenancy agreement with Skyview Development Limited (“**Skyview**”), an Independent Third Party, with a duration of 3 years from 1 February 2014 to 31 January 2017. The Land is mainly used by us as depot for maintenance of machinery and equipment, and storage of idle machinery, equipment and excess inventory. At the time when we entered into such sub-tenancy agreement with Skyview, Skyview represented to us that it has the right to lease the Land to us.

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However, our right to use the Land may be uncertain due to, among others, the following: (i) Skyview has not yet provided us with all valid head tenancy agreements and relevant consents from the registered owners of the Land to sub-lease the Land; and (ii) the exact area of the relevant lots has not been clearly described under the sub-tenancy agreement. As such, our Group may be subject to allegation of trespassing by the ultimate owners of the Land or other relevant parties, who might evict us from the Land and claim for the open market rental for our occupation of the Land. In the event the aforesaid actions are taken by the ultimate owners or other relevant parties, our Group may make a claim against Skyview.

We have requested Skyview to resolve these issues and have made enquiry with Skyview regarding the progress of its communication with the registered owners. As at the Latest Practicable Date, we were informed that due to the large number of registered owners involved and Skyview's lack of control over the registered owners, it would be difficult for Skyview to assess when the issues can be fully resolved. We consider that the possibility of all the registered owners of the 20 lots of land evicting us from the land is remote. During the period of our occupation of the Land and as at the Latest Practicable Date, we have not received any notice requesting us to vacate the Land. In the event that we are being evicted, we will move our machinery, equipment and excess inventory to our construction sites as a temporary measure and will explore the possibility of leasing another depot for storage as soon as practicable.

Further, out of the 20 lots at which the Land is located, 17 of them do not fall within the land-use zoning of open storage. While permission has been obtained from the Planning Department for temporary open storage of containers with ancillary office for these 17 lots, the permission for four of the lots has already expired on 19 June 2012. We are advised by our Hong Kong Legal Counsel that our current usage of the 13 lots with valid permission obtained from the Planning Department falls within the permitted usage since the legal effect of the permission is to allow or permit the land owner(s), whether by themselves or by their lessee(s) or licensee(s), to use those lots for open storage of construction machinery and construction material and ancillary site office. Such permission is for a period of three years commencing on 28 November 2014 and expiring on a date after the expiration of our sub-tenancy agreement with Skyview. However, our current usage of the four lots for open storage without valid permission constitutes an unauthorised development on the Land which is an offence under section 20(7) of the Town Planning Ordinance. The Directors are of the view that this was due to absence of timely and professional advice at the material time. The maximum penalty for a first conviction is a fine of HK\$500,000 and in case of a second or subsequent conviction, the maximum fine is HK\$1,000,000. In addition, the Planning Department is entitled to issue an enforcement notice to the landowner, occupier(s) or the person who is responsible for the non-permitted use under the zoning plan under section 23(1) of the Town Planning Ordinance. Failure to comply with an enforcement notice within the period stated is an offence under section 23(6) of the Town Planning Ordinance and the consequences are: (i) in the case of a first conviction, a maximum fine of HK\$500,000; and in addition, a fine of HK\$50,000 for each day, after the date in the notice, during which the person continues to fail to so comply; and (ii) in the case of a second or subsequent conviction, a fine of HK\$1,000,000; and in addition, a fine of HK\$100,000 for each day, after the date in the notice, during which the person continues to fail to so comply.

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We are advised by our Hong Kong Legal Counsel that rather than direct prosecution for unauthorised development against the landowners or the actual users under section 20(7), it is the adopted practice of the Planning Department to issue enforcement notice against the landowners under section 23(1) of the Town Planning Ordinance. If we are served an enforcement notice but fail to comply with the enforcement notice within the period stated, our Hong Kong Legal Counsel estimated that we may be subject to a principal fine of HK\$60,000 to HK\$70,000 and a daily fine of HK\$500 to HK\$1,000. As at the Latest Practicable Date, we have not received any enforcement notice issued by the Planning Department in relation to our current usage of the Land. Upon becoming aware of the nature and extent of the issues, we have decided to vacate those four lots in respect of which permission granted by the Planning Department has already expired and requested Skyview to arrange for renewal of the expired permission. Our Directors confirm that, those four lots have already been vacated. We are advised by our Hong Kong Legal Counsel that prosecution for unauthorised development and non-permitted use under the zoning plan is for the purpose of deterring persisting non-compliance. Given that we have ceased to use those four lots, the likelihood of us being prosecuted for past usage of those four lots for open storage without valid permission is remote. We have made enquiry with Skyview regarding the progress of renewal of the expired land use permissions and was informed by Skyview that the renewal would involve substantial documentary works and therefore it could not provide a specific timeline for resolving the issue. Given that we have no control over Skyview and the application procedure for renewal of the expired land-use permission, we are not in a position to assess when the land-use permission will be renewed.

Our Directors believe that if we have to relocate all or part of our depot, we can use construction sites with our projects in progress to place some of our machinery, equipment and inventory as a temporary measure since we have various projects in progress at different stages, and with construction sites of different sizes. In addition to the above, open storage space at similar locations can be available and our estimation of the cost of relocation is less than HK\$2.5 million. Our Directors estimate that based on prevailing market rate, the difference in rental that we have to pay for leasing land with valid title for open storage use would be around HK\$1.4 to HK\$2.4 per sq.ft. Hence, we do not anticipate that any relocation will have a material operational or financial impact on our Group. In addition, CAG being our Controlling Shareholder has entered into a deed of indemnity to indemnify our Group for all relocation costs and all losses and damages which may be incurred or suffered by our Group as a result of any of the above issues.

RISK MANAGEMENT

Our Directors consider that during the ordinary course of our business, we are primarily exposed to (i) operational risks; (ii) credit risks; (iii) compliance risks; and (iv) market risks relating to changes in macroeconomic environment.

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

Operational risk management

The construction industry is suffering from a shortage of workforce. We are exposed to the risk of shortage of human resources. We emphasise on retaining current employees and attracting skilled labour. Unlike the other competitors who normally hire part time or contracted labour, we enter into permanent employment contracts with the skilled workers to ensure the stability of our Group's workforce. We also encourage communication between workers and our management and provide a channel for our workers to give feedback to our management through our annual appraisal.

To minimise our risk on project delay, our Execution Panel will discuss the construction progress on every on-going sites and the estimated completion time of the project monthly. Our project manager will be responsible for liaising with the employer to notify and update them the progress of the project and apply for extension of time if there is any anticipated delay.

We subcontract parts of our work from time to time and we may not have sufficient control over our subcontractors. In order to control the risk of regulatory non-compliance by our subcontractors and ensure that their work is satisfactory, we maintain an approved list of sub-contractors. In addition, our project managers and quantity surveyor hold meetings with the subcontractor at least twice a week to discuss their work progress, estimated completion time and safety issues. An assessment is performed semi-annually to assess their past record on accidents and safety issues.

Credit risk management

We are exposed to risk of increase in bad debts if the credit granted are not closely monitored by us. To minimise such risk, progress payment is made at appropriate time after completion of certain stage according to the contract term. Account receivables aging analysis is prepared monthly by our senior accountant or accountant and reviewed by our chief accountant in order to monitor the settlements of accounts receivables.

Compliance risk

Our ability to obtain tenders and carry out our work is subject to various licences being validly maintained. In order to ensure that our licences will not be revoked or will be successfully renewed, our Group strictly monitors our quality of work and place great emphasis on safety by providing sufficient staff training. Our personnel and administration officer is responsible for keeping copies of our licences and record their expiry dates to ensure that they are being renewed in time.

Due to the nature of works in the construction industry, risks of accidents or injuries to workers are inherent. As a result, we are exposed to risks of claims being made by third parties from time to time. We are committed to providing a safe and healthy working environment for our employees and

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our subcontractors. We have in place safety control policy and implement those measures at the commencement and during the implementation of each project. We also maintain adequate insurance coverage for the operation of our business. For further details, please refer to the paragraph headed “Safety and Insurance” in this section above.

Market risks management

Our Group is exposed to general market risks relating to changes in the social, political and economic conditions in Hong Kong. Our executive Directors are responsible for identifying and assessing potential market risks and formulating policies from time to time to mitigate these market risks.

COMPLIANCE

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, there was no non-compliance incident which is material impact non-compliance or systemic non-compliance. Our Directors also confirmed that during the Track Record Period and up to the Latest Practicable Date, our Group has obtained all the approvals, permits, consents, licences and registrations required for our business and operations in Hong Kong and all of them are in force.

It is the opinion of our Macau Legal Adviser that the mode of operations of the foundation projects carried out by our Group in Macau is lawful and is in compliance with the applicable laws of Macau.

LITIGATION AND POTENTIAL CLAIMS

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

We set out below a summary of the major outstanding litigation and potential claims against our Group as at the Latest Practicable Date arising out of our ordinary and usual course of business.

(I) *Outstanding employees’ compensation claims and personal injury claims as at the Latest Practicable Date*

As at the Latest Practicable Date, there were eight outstanding employee’s compensation claims and/or personal injuries claims, which we had received the relevant summons and legal proceedings had been commenced. One of the claims arose from an accident occurred before the Track Record Period in 2011 but the claim remained outstanding as at the Latest Practicable Date while the remaining seven outstanding claims related to accidents occurred during the Track Record Period.

For the above eight outstanding employee’s compensation and/or personal injuries claims, the amount of claims are not stated in the court document or we and our insurers have not been served any court documents containing information in the amount of claims from the claimants and the claim amount in these claims are unknown as at the Latest Practicable Date. As such, we are not in a position

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to assess the likely quantum of such claims. Our Directors are of the view that the amount to be borne by our Group in the proceedings will be covered by the relevant insurance taken out by us or the main contractors. Therefore, no provision has been made to cover our potential liability under the above claims.

To the best knowledge of our Directors, all injured persons under these claims have suffered insignificant bodily injuries. During the Track Record Period and up to the Latest Practicable Date, our Group or our main contractors are required under the Employees' Compensation Ordinance to take out and had taken out a compulsory insurance policy in Hong Kong which meets the statutory minimum insurance coverage. Therefore, all such claims (including employees' compensation claims and personal injury claims) are expected to be fully covered by the insurance policies either maintained by our Group or our main contractors.

(II) *Outstanding criminal litigations as at the Latest Practicable Date*

Nature of the charges	Date of the incident	Defendant(s)/ Respondent(s)	Status
<p>1. DrilTech Ground was charged by the Labour Department for (i) failing to provide and maintain system of work for lowering the mast of drilling rig that was, so far as reasonably practicable, safe and without risks to health of the persons at the industrial undertaking; and (ii) failing to provide necessary information, instruction, training and supervision for safety at work of persons employed at the industrial undertaking, contrary to section 6A(1), 6A(2)(a), 6A(2)(c), 6A(3) and 13(1) of the Factories and Industrial Undertakings Ordinances (<i>Note 1</i>)</p>	<p>31 March 2014</p>	<p>The main contractor of the project as the 1st defendant</p> <p>A subcontractor of the main contractor of the project as the 2nd defendant</p> <p>DrilTech Ground as the 3rd defendant</p> <p>A subcontractor of DrilTech Ground as the 4th defendant</p>	<p>DrilTech Ground pleaded not guilty to the charge and trial hearing is scheduled to take place on 5 April 2016.</p>
<p>2. Kin Wing Foundations was charged by the Labour Department for failing to ensure that all reasonable steps were taken to prevent persons from having access to the passageway between the bucket of the lifting appliance and a nearby H-pile when the appliance was in use on a stage and it was impracticable to maintain an unobstructed passageway of not less than 600 millimetres wide between any part of the appliance liable so to move and any nearby guard rail, fence or other fixture, contrary to Regulations 8(2) and 19 of the Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations made under the Factories and Industrial Undertakings Ordinance (<i>Note 2</i>)</p>	<p>9 May 2014</p>	<p>The main contractor of the project as the 1st defendant</p> <p>Kin Wing Foundations as the 2nd defendant</p>	<p>Kin Wing Foundations pleaded not guilty to the charge and the pre-trial review is adjourned to 14 December 2015.</p>

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Notes:

1. DrilTech Ground was engaged in the capacity as a subcontractor by the 2nd defendant and was responsible for instrumentation drilling works. DrilTech Ground further subcontracted ground investigation works to the 4th defendant. At the material time, three workers employed by the 4th defendant were about to move a drilling rig to another spot. Before moving the drilling rig, the mast of the drilling rig should be lowered from a vertical to horizontal position. The drilling rig had two backstays to support the mast in vertical position. To lower the mast, the workers had to first dismantle the mounting bolts attached to the body of the drilling rig. After the mounting bolts had been loosened and the backstays were detached from the body of the drilling rig, the mast suddenly descended and the backstay at the left side hit the jaw of one of the workers who sustained serious head injury and died.

As advised by our Hong Kong Legal Counsel in relation to this case, if DrilTech Ground is found liable, the maximum penalty for each summons will be a fine of HK\$500,000 but if the offences are committed wilfully and without reasonable excuse, the maximum penalty is HK\$500,000 and imprisonment for 6 months for each offence. Our Hong Kong Legal Counsel opined that since the directors, officers and employees of DrilTech Ground are not the defendant named in the summonses, they will not have any liability under the summonses. Our Hong Kong Legal Counsel also opined that the likelihood of the maximum penalty being imposed is not particularly high and a fair estimate of the likely penalty would be a fine of HK\$250,000 for each summons if DrilTech Ground is found liable. In view of the amount of the likely penalty, our Directors consider that no provision is necessary to be made.

2. Kin Wing Foundations was engaged in the capacity as a subcontractor of the 1st defendant responsible for the foundation works at the site while a worker employed by another subcontractor was engaged in welding work of piles on the site. At the material time, an excavator operator employed by a sub-subcontractor of Kin Wing Foundations turned on an excavator and unlocked its safety lock. The forearm of the excavator suddenly slewed and moved outward. The bucket of the excavator then struck the worker to an H-pile nearby who subsequently passed away.

As advised by the Hong Kong Legal Counsel, if Kin Wing Foundations is found liable, the maximum penalty will be a fine of HK\$50,000. Our Hong Kong Legal Counsel also opined that the likelihood of the maximum penalty being imposed is not particularly high and a fair estimate of the likely penalty would be a fine of HK\$25,000 if Kin Wing Foundations is found liable. In view of the amount of the likely penalty, our Directors consider that no provision is necessary to be made.

3. In relation to the above two incidents, we were involved in the capacity as a subcontractor and the deceased were not our employees. As at the Latest Practicable Date, no employees' compensation claims or personal injury claims arising from these two incidents have been commenced against our Group. As such, the amount of our Group's civil liabilities arising out of these two fatal cases cannot be ascertained. However, even if such proceedings are commenced, the amount claimed will be covered by insurance which amounts to HK\$200 million for each accident. The potential liability has been included as potential claims as set out in the following paragraph. Our Hong Kong Legal Counsel has also advised that there is no legal impediment to our Group's future licence renewal notwithstanding the criminal proceedings against the Group since the prosecution of those criminal proceedings is not on the basis of wilful non-compliance with the relevant statutes.

(III) Potential employees' compensation claims and personal injuries claims as at the Latest Practicable Date

As at the Latest Practicable Date, there were 25 accidents in respect of which the injured persons have not yet filed any claims or commenced legal proceedings against our Group or the injured persons are still receiving periodical payments. In addition, among the 45 accidents in respect of which the employees' compensation claims were settled, there is possibility that the injured workers may raise personal injuries claims against us under the common law. Since such employees'

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compensation and/or personal injuries claims have not been commenced, we are not in a position to assess the likely quantum of such potential claims. During the Track Record Period and up to the Latest Practicable Date, our Group or our main contractors are required to take out and had taken out insurance policies for an amount of no less than HK\$200 million per accident to cover the liabilities under the Employees' Compensation Ordinance as well as under the common law for injuries at work. We confirm that our Group or our main contractor has insurance to sufficiently cover our liabilities of all these potential claims and such potential claims have no material adverse impact on our financial condition or results of operations. These accidents were caused during the usual and ordinary business of our Group and did not cause material disruption to our Group's business. The time limit for a plaintiff to commence legal proceedings for an employee's compensation claim is two years from the date of the relevant incident, while the time limit for a personal injury claim against us under common law is three years from the date of the relevant incident.

(IV) Civil litigation between a public utility company (as plaintiff) and Kin Wing Foundations (as defendant)

Kin Wing Foundations was engaged as a foundation contractor of a proposed hotel development at a site in North Point. In the course of carrying out excavation work, its servants or agents damaged an electricity cable owned by a public utility company. The public utility company filed a claim for negligence and breach of statutory duties relating to the excavation works carried out by Kin Wing Foundations on 14 March 2011 in the amount of HK\$4,612,606.02 plus interest and costs.

Trial of the case took place on 3 November 2014. Judgment was handed down by the High Court of the HKSAR on 20 August 2015. According to the judgment, the public utility company failed in its claim against us in both negligence and breach of statutory duties and its claim was dismissed. The public utility company has 28 days from the date of the judgment to consider whether to appeal against the judgment. As the amount claimed, if allowed by the court, would not have been covered by insurance, we have made a provision of HK\$12 million, being the total amount claimed together with legal costs of the public utility company, estimated by reference to the amount of our legal costs for defending this case during the Track Record Period. As far as known to our Directors after having made all reasonable enquiries as at the Latest Practicable Date, the public utility company has not filed, and we have not received notice of, any application to appeal against the judgment within the requisite time limit allowed. As a result, it is expected that the provision of HK\$12 million relating to the incident mentioned above will be released for the year ending 31 December 2015, subject to any new development of the case at the time when the financial statements are being finalised.

As at the Latest Practicable date, save as disclosed above, we are not aware of any current, pending or threatened litigation, claim of arbitration against our Group which could have a material adverse effect on our financial condition or results of operations.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board of Directors is responsible and has general powers for the management and conduct of our business. The following table sets forth certain information in respect of the members of our Board of Directors:

Name	Age	Date of joining our Group	Date of appointment as Director	Position and responsibilities in our Group	Relationship with other Directors and senior management
Executive Directors					
FUNG Man Hei Herman (馮文起)	77	August 1997	9 July 2015	Chairman and executive Director; responsible for strategic planning and overall corporate development	Nil
CHAN Yuen Keung (陳遠強)	61	September 1994	9 July 2015	Vice-chairman and executive Director; responsible for strategic planning, overall corporate and business development; a member of each of the Remuneration Committee and Nomination Committee	Nil
YU Wing Sang (余榮生)	54	February 1994	9 July 2015	Managing director and executive Director; responsible for formulating corporate and business development strategies and leading and training the core management team	Nil
SO Hin Kwong (蘇顯光)	58	March 1996	11 August 2015	General manager and executive Director; responsible for overall management and supervision of operations of our Group	Nil
Independent non-executive Directors					
KONG Siu Chee (江紹智)	69	20 October 2015	20 October 2015	Independent non-executive Director; responsible for supervising the management of our Company; the chairman of the Audit Committee	Nil

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Date of joining our Group	Date of appointment as Director	Position and responsibilities in our Group	Relationship with other Directors and senior management
PONG Ti Fan Ivan (龐棣勛)	55	20 October 2015	20 October 2015	Independent non-executive Director; responsible for supervising the management of our Company; the chairman of the Nomination Committee and a member of each of the Audit Committee and Remuneration Committee	Nil
TSUI Robert Che Kwong (徐志剛)	61	20 October 2015	20 October 2015	Independent non-executive Director; responsible for supervising the management of our Company; the chairman of the Remuneration Committee and a member of each of the Audit Committee and Nomination Committee	Nil

Executive Directors

Mr. FUNG Man Hei Herman (馮文起), aged 77, was appointed as our executive Director on 9 July 2015 and concurrently serves as the chairman of our Board. Mr. Fung is primarily responsible for our Group's strategic planning and overall corporate development. He was an executive director of KWC Holdings in August 1997.

Mr. Fung has worked for Hon Kwok since 1986 and has been appointed as its executive director since 1988. He also held the positions as the managing director of Hon Kwok from 1991 to 2002 and then the vice-chairman since November 2012. He has also been a director of Chinney Investments since 1987 and became the managing director in 1995. During the period from November 1996 to June 2005, Mr. Fung was appointed as a member of the Board of Review (Inland Revenue Ordinance) Hong Kong. He was admitted as a fellow of the Association of International Accountants in October 2002. He is currently a fellow member of The Hong Kong Institute of Directors.

Mr. Fung has actively participated in the property investment and development business for over 28 years and has extensive experience in finance, marketing, construction and general administration of the real estate business. Capitalising on his experience and business relationship, Mr. Fung has been appointed as a non-executive director of CAG since 1998 and participated in the general supervision of business operations of CAG, including our Group, since then.

DIRECTORS AND SENIOR MANAGEMENT

Mr. CHAN Yuen Keung (陳遠強), aged 61, joined our Group in September 1994. He was appointed as our executive Director on 9 July 2015 and concurrently serves as the vice-chairman of our Board. Mr. Chan is responsible for strategic planning, overall corporate and business development of our Group. He also serves as a director of all subsidiaries of our Group.

Mr. Chan has over 20 years of experience in the construction industry. He obtained a technician diploma in construction from The Morrison Hill Technical Institute in July 1974 and a higher certificate in civil engineering from Hong Kong Polytechnic in November 1976. Mr. Chan worked as a quantity surveying assistant, an assistant site foreman and a construction assistant in E Man Construction Co., Ltd. from 1974 to 1977 and a site agent in Kwan Lee Construction Co., Ltd. from 1978 to 1982. In October 1989, Mr. Chan joined Chinney Construction Co. Ltd., which was then wholly owned by Chinney Investments, and became the general manager in March 1990. He was admitted as a member of the Chartered Institute of Building in March 1984.

Mr. Chan was an executive director, a joint managing director, and the chairman of Shun Cheong Holdings Limited (Stock Code: 0650) during the period from 1995 to 2006. Currently, Mr. Chan is an executive director, the vice chairman and the managing director of CAG and an executive director of Hon Kwok.

Mr. YU Wing Sang (余榮生), aged 54, was appointed as our executive Director on 9 July 2015 and concurrently serves as the managing director of our Company. Mr. Yu is responsible for formulating corporate and business strategies and leading and training our core management team. Mr. Yu is a founder of our Group and established Kin Wing Engineering in 1994. In February 2003, he left our Group to pursue his personal interest and re-joined as the managing director in May 2011. Mr. Yu currently also serves as a director of all subsidiaries of our Group.

Mr. Yu has over 20 years of experience in the foundation industry. Prior to joining our Group, he worked for an international foundation contractor as a design engineer from July 1985 to February 1987. He later joined Chee Shing Foundation Limited (a subsidiary of Chee Shing Holdings Limited (now known as Tysan Holdings Limited (Stock Code: 0687)) during the period from 1987 to 1994 and was a director heading the foundation operations division in Hong Kong. He obtained a Bachelor's degree in Engineering from The University of Hong Kong in 1983 and a Master's degree in Arts (Christian Studies) from The Chinese University of Hong Kong in 2009. He has been a member of The Hong Kong Institution of Engineers since May 1992.

Mr. SO Hin Kwong (蘇顯光), aged 58, was appointed as our executive Director on 11 August 2015 and concurrently serves as the general manager of our Company. He is responsible for the overall management and supervision of operations of our Group, including but not limited to, tendering, project planning, project management, quality assurance and general corporate administration. He is currently a director of Kin Wing Engineering and Kin Wing Foundations.

DIRECTORS AND SENIOR MANAGEMENT

Mr. So has over 30 years of experience in site supervision, project management and tendering in various types of foundation, substructure and site formation projects. Prior to joining our Group, Mr. So worked at S.Y. Engineering Co. Ltd as a senior engineer from July 1982 to March 1996. He joined our Group as a senior design engineer in March 1996. From June 1997 to March 2007 and April 2007 to April 2008, he worked as a design manager and a senior manager (design and estimating) of Kin Wing Foundations and Kin Wing Engineering respectively. He worked as a joint general manager of Kin Wing Engineering and Kin Wing Foundations since April 2009 and the general manager since January 2012. Mr. So obtained a Bachelor's degree in Civil Engineering from the National Cheng Kung University in Taiwan in June 1982.

Independent non-executive Directors

Mr. KONG Siu Chee (江紹智), aged 69, was appointed as our independent non-executive Director on 20 October 2015. He received his Bachelor's degree in Arts from The University of Hong Kong in November 1969 and a Master's degree in Business Administration from The Chinese University of Hong Kong in December 1980. He was admitted as an associate of The Institute of Bankers in the United Kingdom in 1973.

Mr. Kong has over 18 years of experience in the financial services industry. He was a director of Champion Technology Holdings Limited (Stock Code: 0092) from 1993 to 1994 and a director of Kantone (UK) Limited from 1994 to 1996. From 1999 to 2005, he served as an executive vice-president, director, and alternate chief executive officer of CITIC Ka Wah Bank Limited, and was an executive director of CITIC International Financial Holdings Limited (formerly known as CITIC Ka Wah Bank Limited). He was appointed as an independent non-executive director of DIGITALHONGKONG.COM (Stock Code: 8007) from March 2014 to October 2014. He has been an independent non-executive director of China New Town Development Company Limited (Stock Code: 1278; Singapore Stock Code: D4N.si) since November 2006 and an independent non-executive director of Harbin Bank Co., Ltd. (Stock Code: 6138) since October 2013. He is also currently a member of the audit committee of Harbin Bank Co., Ltd (Stock Code: 6138). In view of Mr. Kong's professional qualification and experiences in assessing internal control procedures and reviewing and analysing audited financial statements of public companies gained from his positions in various financial institutions, our Directors believe that Mr. Kong has the appropriate accounting or related financial management expertise for the purpose of Rule 3.10(2) of the Listing Rules.

Mr. PONG Ti Fan Ivan (龐棣勳), aged 55, was appointed as our independent non-executive Director on 20 October 2015. Mr. Pong obtained his Bachelor's degree in Economics (with Honours) from the University of Essex, U.K. in July 1983 and obtained his Master's degree in Business Administration from the EMBA Program of The Chinese University of Hong Kong in December 1999.

Mr. Pong has over 30 years of experience in the real estate investment market in Hong Kong and the PRC. Mr. Pong worked for Hon Kwok and its affiliated companies from January 1984 to October 1988 and was responsible for property development, property investments and project acquisitions for the Hon Kwok group. Mr. Pong worked at Chesterton Petty Ltd. as a senior agency manager in 1988. He joined Richard Ellis Ltd. as a senior manager in 1989 and promoted as an associate director in

DIRECTORS AND SENIOR MANAGEMENT

1991. During the periods from 1993 to 1994 and from 1994 to 2000, Mr. Pong was a director of Metrobase Surveyors Limited and Cosmo Surveyors Limited respectively and completed a number of property investment and acquisition projects. He is currently a director of Metroland Property Consultants Limited.

Mr. TSUI Robert Che Kwong (徐志剛), aged 61, was appointed as our independent non-executive Director on 20 October 2015. He graduated from the University of Buckingham with a Bachelor's degree of Laws in February 1981. Mr. Tsui was admitted to the Law Society of Hong Kong in 1985 and qualified to practice law in Singapore in 1994 and in Anguilla, Caribbean in 2005.

Mr. Tsui has over 20 years of experience as practicing solicitor in Hong Kong. He is the founder and owner of Robert C.K. Tsui & Co., Solicitors, a law firm established in 1990. Mr. Tsui was an executive director of Landing International Development Limited (Stock Code: 0582, formerly known as "Greenfield Chemical Holdings Limited"), a company listed on the Main Board of the Stock Exchange from November 2007 to November 2009. He was also an independent non-executive director of APAC Resources Limited (Stock Code: 1104, formerly known as "Shanghai Merchants Holdings Limited"), a company listed on the Main Board of the Stock Exchange from July 2004 to November 2007 and Sino Credit Holdings Limited (Stock Code: 0628, formerly known as "Dore Holdings Limited"), a company listed on the Main Board from August 2004 to July 2009. He is currently an independent non-executive director and a member of the audit committee and nomination committee of Eagle Legend Asia Limited (Stock Code: 0936), a company listed on the Main Board of the Stock Exchange.

Save as disclosed above, each of our Directors has not been a director of any other publicly listed company during the three years preceding the date of this prospectus. 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 need to be brought to the attention of the Shareholders.

SENIOR MANAGEMENT

Our senior management consists of the employees listed in the following table:

<u>Name</u>	<u>Age</u>	<u>Date of joining our Group</u>	<u>Date of appointment as senior management</u>	<u>Position and responsibility in our Group</u>	<u>Relationship with other Directors and senior management</u>
TANG Shui Yung (鄧水容)	49	July 1994	May 2011	Assistant general manager (production); responsible for the overall resources planning, on-site construction works, safety compliance and maintenance of our machinery and equipment	Nil

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Date of joining our Group	Date of appointment as senior management	Position and responsibility in our Group	Relationship with other Directors and senior management
CHAN Ka Wah (陳家華)	47	August 1994	May 2011	Assistant general manager (project); responsible for the overall project planning and management of our piling construction and ancillary services business	Nil
OI Sik Fan Addy (柯錫勳)	48	February 2006	May 2011	Assistant general manager (contracts and design); responsible for the overall management and operations of design department and quantity surveying department relating to our piling construction and ancillary services business	Nil
LAM Hoi Fan (林凱帆)	41	February 1997	July 2012	Assistant general manager of DrilTech Ground and DrilTech Geotechnical; responsible for the overall management and operations of our drilling and site investigation business	Nil
TANG Man Fu (鄧文富)	49	January 2000	May 2011	Senior construction manager; responsible for site management and implementation of piling construction and ancillary services projects	Nil
WAI Hon Man (韋漢文)	42	September 1996	May 2011	Senior project manager; responsible for site management and implementation of piling construction and ancillary services projects	Nil
YUEN Wing Hung Eric (阮永雄)	51	September 1994	September 1994	Financial controller and; responsible for the financial and accounting matters of our Group	Nil

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Mr. TANG Shui Yung (鄧水容), aged 49, has been the assistant general manager (production) of our Group since January 2012. Mr. Tang is also a director of Kin Wing Engineering, Kin Wing Foundations and DrilTech Ground. He is responsible for the overall resources planning of our piling construction projects such as labour, plant and materials, management of on-site construction works, safety compliance and maintenance of our machinery and equipment.

Mr. Tang has over 27 years of experience in foundation engineering and construction site management. Prior to joining our Group, he worked in Chee Shing Foundation Limited as a senior project engineer and project manager during the period from June 1988 to June 1994. He joined our Group in July 1994 and had held in the positions as project manager, senior project manager and senior manager (production) from 1994 to 2011. He obtained a Bachelor's degree in Civil Engineering from The Hong Kong Polytechnic University in October 1995.

Mr. CHAN Ka Wah (陳家華), aged 47, has been the assistant general manager (project) of our Group since January 2012. Mr. Chan is also a director of Kin Wing Engineering, Kin Wing Foundations, DrilTech Ground and DrilTech Geotechnical. He is responsible for the overall project planning and management of our piling construction and ancillary services business.

Mr. Chan has over 20 years of experience in supervising and managing foundation and site formation projects. Prior to joining our Group, he worked as a graduate/assistant engineer at Leighton-Bruckner Foundation Engineering Ltd. from August 1990 to April 1992 and a site engineer at Chee Shing Foundation Limited from April 1993 to July 1994. He joined our Group as a project engineer in August 1994 and worked as a quality manager from October 1995 to October 1997, a project manager from November 1997 to March 2008 and a senior manager (construction) from April 2008 to December 2011. He obtained a Bachelor's degree in Engineering from The University of Hong Kong in 1990.

Mr. OI Sik Fan Addy (柯錫勳), aged 48, has been the assistant general manager (contracts and design) of our Group since January 2012. He is mainly responsible for the overall management and operations of design and quantity surveying departments relating to our piling construction and ancillary services business.

Mr. Oi has over 22 years of experience in structural design, project management and site supervision in various foundation, ELS work, substructure and superstructure projects in Hong Kong and Macau. Prior to joining our Group in February 2006, he had worked for several engineering consultants as structural engineer and senior structural engineer from 1993 to 2003. He later joined Meinhardt (C&S) Ltd. as an engineer and a senior engineer from September 2003 to February 2006. He was admitted as a member of The Hong Kong Institution of Engineers in March 2002 and The Institution of Structural Engineers in October 2001. Mr. Oi is currently a registered professional engineer (structural) under the Engineer Registration Ordinance (Cap. 409 of the Laws of Hong Kong) and is a chartered engineer of The Institution of Structural Engineers. He obtained a Bachelor's degree in Civil Engineering from The Hong Kong Polytechnic University in November 1991.

DIRECTORS AND SENIOR MANAGEMENT

Mr. LAM Hoi Fan (林凱帆), aged 41, has been a director and the assistant general manager of our Group since January 2012. He is responsible for the overall management and operations of our drilling and site investigation business.

Mr. Lam has over 20 years of experience in performing and supervising various site investigation works. Prior to joining our Group, he worked in Bachy Soletanche Group as a technical officer from September 1994 to December 1995 and a senior technical officer from January 1996 to February 1997. He joined DrilTech Ground in February 1997 as a senior technician. He worked in our Group as a site agent from July 1997 to March 2003, an assistant project manager from April 2003 to June 2006, a project manager from July 2006 to March 2009 and a senior project manager from April 2009 to December 2011. He obtained a Bachelor's degree in Civil Engineering from Chu Hai College of Higher Education in July 2009.

Mr. TANG Man Fu (鄧文富), aged 49, has been the senior construction manager of our Group since September 2013. He is primarily responsible for site management and implementation of piling construction and ancillary services projects of our Group.

Mr. Tang has over 22 years of experience in project and site management. He obtained a Master's degree in Project Management from The University of South Australia in April 2004 and a Master's degree in Civil Engineering from The Hong Kong Polytechnic University in November 2010. He was admitted as a member of Australian Institute of Project Management in November 2004. Mr. Tang worked for a construction company from 1986 to 1998 and joined our Group as a site agent in January 2000 and promoted as an assistant project manager in April 2010 and project manager in September 2011.

Mr. WAI Hon Man (韋漢文), aged 42, has been the senior project manager of our Group since September 2011. Mr. Wai is also a director of Kin Wing Engineering, Kin Wing Foundations, DrilTech Ground and DrilTech Geotechnical. He is primarily responsible for site management and implementation of piling construction and ancillary services projects of our Group.

Mr. Wai has over 15 years of experience in supervising and managing various foundation piling projects. He obtained a Bachelor's degree in Environmental Engineering from The Hong Kong Polytechnic University in November 1996. After graduation, he joined our Group as an assistant engineer in September 1996 and worked as a project engineer in October 1999, a senior project engineer in October 2000, an assistant project manager in August 2002 and a project manager in January 2006.

Mr. YUEN Wing Hung Eric (阮永雄), aged 51, is the financial controller of our Group and is responsible for the financial and accounting matters of our Group. He joined Chinney Construction Co. Ltd., a then non-wholly owned subsidiary of Chinney Investments, in September 1992 and worked for our Group since September 1994. Mr. Yuen has about 27 years of experience in accounting field. Prior to joining our Group, he had worked in an audit firm from August 1988 to November 1991 and in Chevalier (HK) Limited as an audit supervisor from November 1991 to March 1992. He obtained a diploma in accountancy from Shue Yan College in July 1988 and was admitted as a member of the Hong Kong Institute of Certified Public Accountants in July 1993 and a fellow member of the Association of Chartered Certified Accountants in December 1997.

DIRECTORS AND SENIOR MANAGEMENT

Each of our senior management has not been a director of any other publicly listed company during the three years preceding the date of this prospectus.

COMPANY SECRETARY

Ms. Wan Ka Yee (尹嘉怡), aged 41, is our Group's company secretary responsible for handling corporate, legal and regulatory compliance and administrative matters. Ms. Wan has worked for CAG as a company secretarial manager since November 2003 and re-designated as our Group's company secretary in 11 August 2015. She has over 18 years of experience in company secretarial and corporate governance practices. Ms. Wan has obtained a Bachelor of Arts degree from The Chinese University of Hong Kong in December 1997 and a postgraduate diploma in corporate administration from The City University of Hong Kong in November 2011. She worked as a company secretarial assistant at Grant Thornton from 1997 to 1998, Wong C. Ming & Co. from 1998 to 2000 and Evergo Holdings Company Limited from 2000 to 2001. She also worked as a senior account officer in the company management department of MIL (Far East) Limited from 2001 to 2003 and a company secretary at MTel Limited in 2003. Ms. Wan has been an associate member of The Hong Kong Institute of Company Secretaries and The Institute of Chartered Secretaries and Administrators since September 2001.

COMPLIANCE ADVISER

We have appointed Haitong International Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us on the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connection transaction or constitute price sensitive information of our Company, is contemplated including share issues and share repurchases;
- where we propose to apply the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of us in respect of unusual price movement and trading volume or other issues under Rule 13.10 of the Listing Rules.

The terms of appointment shall commence on the Listing Date and end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

DIRECTORS AND SENIOR MANAGEMENT

BOARD COMMITTEES

We have established the following committees in our Board of Directors: an Audit Committee, a Remuneration Committee and a Nomination Committee. The committees operate in accordance with terms of reference established by our Board of Directors.

Audit Committee

We established our Audit Committee on 20 October 2015 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 and paragraph D3 of the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules. Our Audit Committee consists of all of our independent non-executive Directors and the chairman is Mr. Kong Siu Chee, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of our Audit Committee are to make recommendations to our Board on the appointment and removal of external auditor, to review the financial statements and material advice in respect of financial reporting and to oversee the audit process and internal control procedures of our Company.

Remuneration Committee

We established our Remuneration Committee on 20 October 2015 with written terms of reference in compliance with paragraph B1 of the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules. Our Remuneration Committee consists of three members, namely Mr. Tsui Robert Che Kwong, Mr. Pong Ti Fan Ivan and Mr. Chan. Mr. Tsui Robert Che Kwong is the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee include, but are not limited to, the following: (i) making recommendations to our Board on our policy and structure for the remuneration of all our Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) determining the specific remuneration packages of all Directors and senior management; and (iii) reviewing and approving management's remuneration by reference to corporate goals and objectives resolved by our Board from time to time.

Nomination Committee

We established our Nomination Committee on 20 October 2015 with written terms of reference in compliance with paragraph A5 of the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules. Our Nomination Committee consists of three members, namely, Mr. Pong Ti Fan Ivan, Mr. Tsui Robert Che Kwong and Mr. Chan. The chairman of our Nomination Committee is Mr. Pong Ti Fan Ivan. The primary functions of the Nomination Committee include, without limitation, reviewing the structure, size and composition of our Board of Directors, assessing the independence of our independent non-executive Directors and making recommendation to our Board on matters relating to the appointment of Directors.

DIRECTORS AND SENIOR MANAGEMENT

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive compensation in the form of salaries, allowances, bonuses and other benefits-in-kind, including our contribution to the pension scheme. Our Remuneration Committee determines the salaries of our Directors based on each Director's qualification, position and seniority.

The aggregate amount of remuneration (including salaries, allowances and benefits-in-kind) paid to our Directors for each of the three financial years ended 31 December 2014 and the four months ended 30 April 2015 was HK\$5.5 million, HK\$6.5 million, HK\$9.2 million and HK\$6.9 million, respectively.

The aggregate amount of remuneration (including salaries, allowances and benefits-in-kind (where applicable)) paid to our five highest paid individuals for each of the three financial years ended 31 December 2014 and the four months ended 30 April 2015 was HK\$8.8 million, HK\$10.1 million, HK\$12.2 million and HK\$8.3 million, respectively.

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining our Group. No compensation was paid to, or receivable by, our Directors or past Directors during the Track Record Period for the loss of office as director of any member of our Group or any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same period.

Our policy concerning the remuneration of our Directors is that the amount of remuneration is determined on the basis of the relevant Director's experience, responsibility, performance and the time devoted to our business.

Except as disclosed in this prospectus, no Director has been paid in cash or shares or otherwise by any person either to induce him to become, or to qualify him as a Director, or otherwise for service rendered by him in connection with the promotion or formation of us.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Assuming that all Qualifying CAG Shareholders (except Enhancement Investments, Multi-Investment and Chinney Capital) take up their respective Preferential Entitlements under the Preferential Offer in full, and taking no account of any Offer Shares which may be taken up under the Global Offering and any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, CAG will be interested in approximately 74.5% of our total issued share capital immediately after the completion of the Capitalisation Issue and the Global Offering.

As at the Latest Practicable Date, (i) Mr. Wong, through Enhancement Investments, Multi-Investment and Chinney Capital, was interested in approximately 73.28% of the issued shares in CAG, of which 40.89%, 29.10% and 3.29% were directly held by Enhancement Investments, Multi-Investment and Chinney Capital, respectively; (ii) Enhancement Investments and Chinney Capital were wholly-owned by Mr. Wong, directly or indirectly; and (iii) Multi-Investment was indirectly wholly-owned by Chinney Investments, which was in turn directly and indirectly owned as to approximately 0.09% and 63.12% respectively by Mr. Wong.

Accordingly, CAG and Mr. Wong are our Controlling Shareholders under the Listing Rules. CAG was incorporated in Bermuda on 16 April 1993 with limited liability, shares of which are listed on the Main Board. It will be the holding company of the Remaining Group immediately following the Spin-off. The Remaining Group will be principally engaged in the Retained Business.

Mr. Wong is currently the chairman and an executive director of CAG, Chinney Investments (Stock Code: 0216) and Hon Kwok (Stock Code: 0160). In addition to the shareholding in CAG, as at the Latest Practicable Date, Mr. Wong was also indirectly and directly interested in approximately 63.12% and 0.09% respectively of the issued shares in Chinney Investments and approximately 69.57% of the issued shares in Hon Kwok. Chinney Investments is principally engaged in property development, property investment and hotel operations in Hong Kong and the PRC and manufacturing and trading of garment. Hon Kwok is principally engaged in property development, property investment and property related activities in Hong Kong and the PRC.

NO COMPETITION BETWEEN OUR GROUP AND THE REMAINING GROUP

Having considered the independence in management, business operations, financing and administration between our Group and the Remaining Group, our Directors believe that the Remaining Group does not compete with our Group. Further, our Directors expect that, immediately following the Spin-off, our Group will principally be engaged in the Foundation Business whereas the Remaining Group will focus on the Retained Business. For further details, please refer to the paragraph headed “Independence from our Controlling Shareholders” in this section below.

Our Controlling Shareholders and our Directors have confirmed that none of them has any direct or indirect interest in any businesses or companies that engage in any business activities that compete or may compete with our business activities.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

The Board is satisfied that our Group can operate independently from the Remaining Group and our Controlling Shareholders after the Listing based on the following:

Clear business delineation between the business of our Group and the Remaining Group

The Remaining Group will, upon the Listing, principally engage in the Retained Business whilst our Group will principally engage in the Foundation Business. The business and/or scope of services provided by each of the Retained Business and the Foundation Business differ significantly.

The table below sets out the major differences between the Foundation Business of our Group and the Retained Business of the Remaining Group:

Foundation Business	Retained Business
<ul style="list-style-type: none">Engage in foundation piling business focusing on bored piling, percussive H-piling, socketed H-piling, mini-piling and sheet piling, with specialisation in bored piling design and constructionEngage in drilling and site investigation businessProvide foundation related ancillary services such as excavation and lateral support works, site formation, and pile cap construction	<ul style="list-style-type: none">Engage in importing, marketing and distribution of plastic and chemical productionsEngage in provision of building services and electrical and mechanical installation and maintenance services such as air conditioning, fire systems and electrical and extra-low voltage worksEngage in sales and installation of air-conditioning systems, digital energy optimisation systems, outdoor LED lighting systems and other building related electrical systemsEngage in provision of superstructure construction worksEngage in distribution and installation of aviation systems and other hi-tech productsEngage in other investment activities such as equity investments and investments in real estates

As shown in the table above, there is clear business delineation between the respective services provided by our Group and the Remaining Group as they are of different nature. In practice, their respective business operations are independent from each other.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Members of the Remaining Group do not, and it is expected that they will not, engage in any business activities that compete or will compete with those of our Group. To address potential conflicts of interests between the Remaining Group and our Group, CAG and Mr. Wong have entered into the Deed of Non-competition in favour of our Company (for ourselves and for the benefits of our subsidiaries), the details of which are set out in the paragraph headed “Non-competition undertaking” in this section below.

Management independence

Our Company and CAG have boards of directors that function independently of each other. The following table sets out details of the directors of our Company and those of CAG immediately upon Listing:

Name	Position/Title in Our Company	Position/Title in CAG
Director		
Mr. Fung	Executive Director; chairman	Non-executive director
Mr. Chan	Executive Director; vice-chairman	Executive director; vice-chairman; managing director
Mr. Yu	Executive Director; managing director	Nil
Mr. So	Executive Director	Nil
Mr. Wong	Nil	Executive director; chairman
Wong Sing Wai James	Nil	Executive director
Lam Bing Lun Philip	Nil	Executive director
Gan Kim See Wendy	Nil	Non-executive director
Kong Siu Chee	Independent Non-executive Director	Nil
Pong Ti Fan Ivan	Independent Non-executive Director	Nil
Tsui Che Kwong Robert	Independent Non-executive Director	Nil
Ng Yuen Tin	Nil	Independent non-executive director
Wu Chi Chiu	Nil	Independent non-executive director
Ronald James Blake	Nil	Independent non-executive director

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

The following table sets out details of the senior management of our Group immediately upon Listing:

Name	Position/Title in Our Group	Position/Title in the Remaining Group
Senior Management		
Tang Shui Yung	Assistant general manager (production) of Kin Wing Engineering and Kin Wing Foundations	Nil
Chan Ka Wah	Assistant general manager (project) of Kin Wing Engineering and Kin Wing Foundations	Nil
Oi Sik Fan Addy	Assistant general manager (contracts and design) of Kin Wing Engineering and Kin Wing Foundations	Nil
Lam Hoi Fan	Assistant general manager of DrilTech Ground and DrilTech Geotechnical	Nil
Tang Man Fu	Senior construction manager of Kin Wing Engineering and Kin Wing Foundations	Nil
Wai Hon Man	Senior project manager of Kin Wing Engineering and Kin Wing Foundations	Nil
Yuen Wing Hung Eric	Financial controller of our Group	Nil

Despite the common directorship held by Mr. Fung and Mr. Chan, independence of management between our Group and the Remaining Group will be maintained based on the matters set out below:

- (a) Mr. Fung is a non-executive director of CAG and is the chairman and an executive Director of our Company. As Mr. Fung's role in CAG is non-executive, he is not involved in the day-to-day operations of the Remaining Group and will be able to focus on his executive role in our Group in the area of strategic planning.
- (b) Mr. Chan is the vice-chairman and managing director of CAG and is the vice-chairman and an executive Director of our Company. Although there is an overlapping of his executive roles in our Company and CAG, Mr. Chan's duties in our Company are mainly in relation

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

to the strategic planning and overall corporate and business development of our Group. Also, capitalising on Mr. Chan's experience and network in the construction industry in Hong Kong, it is believed that both CAG and our Company could be benefited from the role of Mr. Chan in each of them.

- (c) Notwithstanding the above, Mr. Yu and Mr. So are independent of the Remaining Group. Mr. Yu and Mr. So will be in charge of the overall corporate management and business operations of our Group. Mr. Yu, who was appointed as the managing director of our Company, is also one of the founders of, and has more than 20 years of experience in the Foundation Business.
- (d) In addition, directors independent of CAG have been appointed to every major operating subsidiary of our Group to oversee the day-to-day management of the relevant subsidiary.
- (e) Further, our Group also has a team of experienced senior management independent of the Remaining Group assisting and supporting directors of members of our Group in the day-to-day management of the Foundation Business.

Further, in the event that any conflict of interest arises between the Remaining Group and our Group, Mr. Fung and Mr. Chan will abstain from voting at the relevant meetings of the board of directors of our Company and the meetings of the board of directors of CAG in respect of such matters of actual or potential conflict of interest. They will also comply with the respective bye-laws of CAG and our Company, and any applicable laws and regulations (including but not limited to the Listing Rules). Also, Mr. Fung and Mr. Chan will not be involved in making decisions in connection with the on-going connected transactions (if any) between our Group and the Remaining Group, and the remaining directors possess sufficient relevant industry experience to make decisions and monitor such transactions. In addition, the three independent non-executive Directors will also provide checks and balances over our Board's decision-making on significant transactions, connected transactions and other transactions involving any actual or potential conflict of interests.

Our Company will also adopt corporate governance measures to manage potential conflicts of Directors' interest after the Spin-off in accordance with the requirements of the Listing Rules. In addition, as part of the preparation for the Listing, our Directors have received training on their responsibilities as directors of a Hong Kong listed company, including on their fiduciary duties to act in the best interest of our Group.

Save for the aforesaid, none of the Directors or senior management of our Company holds any office in or is employed by the Remaining Group immediately upon Listing. On the basis of the current Board composition of our Company, it is believed that the Board of our Company will operate and manage the Foundation Business independently of CAG. Our Group will therefore operate independently and in the interests of its shareholders as a whole.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Operational independence

Given the difference in the nature of the Retained Business and that of the Foundation Business, the operational departments including tendering, design, contracting, quantity surveying, project management, environmental, safety and machinery maintenance of our Group are separate from those of the Remaining Group and are expected to continue to be operated separately and independently of the Remaining Group. Our Group has its own team of staff to carry out its own operations independently of the Remaining Group.

When preparing and submitting tender documents for a construction project, we confirm that our Group and the Remaining Group have been and will be working independently and separately. As a general practice in the construction industry, contracts for superstructure construction works, foundation piling or sub-structure construction works, and provision of building related contracting services are usually granted separately by the ultimate employers as the requirements of and the works involved in the respective types of contracts are distinctive and these types of works are carried out at different stages in a construction project and normally their relevant tenders would not be prepared at the same time. Thus, it is not necessary for our Group and the Remaining Group to co-operate to submit tender proposals together in order to increase the chance of bidding successfully for a construction project.

In spite of the above, our Group and the Remaining Group had participated in different parts of the same construction project in the past, where the ultimate employer engaged our Group to provide foundation or site investigation works and incidentally also engaged the Remaining Group to provide superstructure works or building related services, after considering their respective tender proposals. In these cases, there was no direct contractual relationship between our Group and the Remaining Group as they entered into separate contracts with the ultimate employer.

There were four construction projects in which our Group and the Remaining Group were engaged by the same ultimate employers separately for different segments of works in a construction project during the Track Record Period, from which the revenue recognised by our Group were approximately HK\$97.6 million, HK\$178.2million, HK\$17.4 million and HK\$8.6 million for the three years ended 31 December 2014 and the four months ended 30 April 2015 respectively.

Given that (1) the above projects were all tendered by our Group and the Remaining Group separately and independently and were granted by the ultimate employers separately after independent tendering, selection and award process; and (2) the participation in those projects by our Group and the Remaining Group was only incidental, our Directors consider that our Group's operational independence has not been affected.

There are also some other instances where the ultimate employer may require the superstructure main contractor to be responsible for the entire project, including foundation piling or sub-structure construction works. In such case, the Remaining Group as the main contractor normally invites various foundation or site investigation subcontractors including our Group to submit tenders. As the

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

ultimate employer also considers the choice of foundation or site investigation subcontractor when selecting the main contractor, the Remaining Group will select the foundation or site investigation subcontractor on a fair basis (mainly based on price) without giving any preferential treatment to our Group.

For the situations mentioned in the paragraph above, there were two projects during the Track Record Period where the Remaining Group was appointed as the main contractor for the superstructure works and subcontracted the foundation or site investigation works to our Group. We confirm that all of these subcontracts were awarded through open tendering process as our Group had provided the most advantageous or lowest price tender. The aggregate contract sum and revenue contributed by these two subcontracting contracts during the Track Record Period amounted to approximately HK\$0.7 million.

Subsequent to the Track Record Period and up to the Latest Practicable Date, the Remaining Group has selected our Group as a foundation subcontractor through an open tendering process for a site in Yau Yue Wan Village, Hong Kong with contract sum of approximately HK\$35.8 million. For further details, please refer to the paragraph headed “Connected Transactions — One-Off Transaction” in this prospectus. Going forward, the Remaining Group may appoint our Group as subcontractor for carrying out foundation works if our Group can provide the most advantageous or lowest price tender under the open tendering process.

There was also one occasion in 2009 where our Group appointed the Remaining Group as our subcontractor for the provision of certain site electrical installation work, which happened only once since then and up to the Latest Practicable Date and involved a relatively insignificant contract sum of HK\$336,466. The price of such work was determined on arm-length’s negotiations between the parties with reference to prevailing market price.

According to the Ipsos Report, different construction groups in the industry adopt different business models depending on their management style. Some sizable construction companies have separate teams or different subsidiaries in conducting their business in different segments, such as superstructure works and foundation works.

As superstructure construction and foundation piling or sub-structure construction have different licensing requirements and each of them involves unique expertise, our Directors consider that these two business segments should operate separately and independently.

Apart from the above, the Remaining Group and our Group are currently engaged in and will continue to engage in certain transactions such as provision of administration services, purchase of consumables and parts of machinery and leasing of office space, which will constitute continuing connected transactions under Chapter 14A of the Listing Rules. Our Directors consider that the amounts of these continuing connected transactions are minimal and such transactions are not likely to impact the operational independence of our Group. For further details, please refer to the section headed “Connected Transactions” in this prospectus.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Our three independent non-executive Directors will also provide checks and balances over the decision making of our Board on significant transactions, connected transactions and other transactions involving any actual or potential conflict of interests.

Taking into account (i) the different licensing requirements and expertise required for the superstructure construction and foundation piling or sub-structure construction business; (ii) the separate management and working teams of the Remaining Group's superstructure construction business and our foundation piling or sub-structure construction business; and (iii) the separate and independent tendering and project management process of the Remaining Group's superstructure construction business and our foundation piling or sub-structure construction business, our Directors are of the view and the Sole Sponsor concurs that our Group operates independently from the Remaining Group.

Financial Independence

As at 31 August 2015, our Group had banking facilities with an aggregate principal amount of approximately HK\$891.0 million which were jointly used and guaranteed by certain members of the Remaining Group and our Group. To facilitate the working capital and ensure the financial independence of our Group, all jointly used banking facilities by the Remaining Group and our Group will be segregated and our Group will obtain our own banking facilities before Listing.

As at the Latest Practicable Date, our Group has obtained independent banking facilities of approximately HK\$558.0 million, of which approximately HK\$458.0 million were secured by, among others, a corporate guarantee provided by CAG. The corporate guarantee provided by CAG is expected to be released and replaced by a corporate guarantee provided by our Company upon Listing.

Save as disclosed in the paragraphs headed "Liquidity and Capital Resources" and "Indebtedness" under the section headed "Financial Information" in this prospectus, there are no other outstanding credit facilities or bank guarantees provided by the Remaining Group to our Group.

As at 31 August 2015, certain members of our Group provided to the Remaining Group unsecured and non-interest bearing loans with principal sums of approximately HK\$22.0 million. Full amount of such loans have been fully settled before Listing. Please refer to the paragraph headed "History and Corporate Structure — Our Reorganisation" in this prospectus for further details.

Having considered the above factors, the Directors consider that there is no financial dependence on the Remaining Group after Listing.

Administrative independence

While our Company maintains our own staff for various administrative support functions, pursuant to an administrative service agreement entered into between our Company and CAG (details of which are set out in the section headed "Connected Transactions" in this prospectus), our Group and the Remaining Group have agreed to provide certain administrative support services to each other.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Our Company believes that the sharing of administrative support services between our Group and the Remaining Group represents a cost effective arrangement which is in the mutual benefit of both our Group and the Remaining Group. Such services will be shared at a fee to be calculated on a cost basis, and further details of them are described in section headed “Connected Transactions” in this prospectus.

Save as disclosed above, our Directors confirm that the majority of the administration and daily operations of our Group will be carried out by a team of staff employed by our Group independently of and without any support from CAG after the Spin-off.

Non-competition undertaking

To ensure that there is a clear delineation between the business of the Remaining Group and that of our Group, our Controlling Shareholders and our Company have entered into the Deed of Non-competition on 20 October 2015. Pursuant to the Deed of Non-competition, subject to the exceptions set out below, each of our Controlling Shareholders has unconditionally and irrevocably undertaken to our Company (for ourselves and for the benefits of our subsidiaries) that he/it will not, and will procure that his/its close associates (other than any members of our Group) will not, during the Restricted Period (as defined below), directly or indirectly, either on his/its own account or in conjunction with or on behalf of any person, firm or company, among other things:

- (a) carry on, engage, participate or hold (in each case whether as a shareholder, director, partner, agent, employee, or otherwise, and whether for profit, reward or otherwise) any right or interest in or be involved in any foundation business which is in competition with our Group’s foundation business (the “**Restricted Business**”); and
- (b) take any action which interferes with or disrupts or may interfere with or disrupt the Restricted Business including, but not limited to, solicitation of any of the then current customers, suppliers or employees of any member of our Group,

provided that nothing in the Deed of Non-competition shall preclude any of our Controlling Shareholders from:

- (i) having any interest in any company engaging in any Restricted Business (the “**Subject Company**”) where: (i) the total number of shares held by our Controlling Shareholders do not exceed 5% of the issued shares of the Subject Company which is or whose holding company is listed on any recognized exchange (as defined under the SFO); or (ii) any Restricted Business conducted or engaged in by the Subject Company (and assets relating thereto) accounts for not more than 5% of the Subject Company’s consolidated turnover or consolidated assets, as shown in the Subject Company’s latest audited accounts provided that (i) there is a holder (together where appropriate, with its close associates) with a larger shareholding in the Subject Company than the aggregate shareholding held by our Controlling Shareholders and/or their respective close associates at all times and (ii) the total number of our Controlling Shareholders’ representatives on the board of directors of the Subject Company is not significantly disproportionate in relation to their shareholding in the Subject Company; and

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (ii) pursuing any business opportunity which is in competition with the Restricted Business (each, “**Foundation Business Opportunity**”) after our Company has confirmed in writing to our Controlling Shareholders that it or any member of our Group has declined such Foundation Business Opportunity.

The obligation of our Controlling Shareholders under the Deed of Non-competition will remain binding on our Controlling Shareholders until the onset of the following event:

- (a) the date on which the Shares cease to be listed on the Stock Exchange; or
- (b) in respect of a Controlling Shareholder, the date on which that Controlling Shareholder and/or his/its close associates collectively ceases to hold directly or indirectly 30% or more of the equity interest in our Company; or
- (c) in respect of a Controlling Shareholder, the date on which that Controlling Shareholder and/or his/its close associates, jointly and severally, ceases to be entitled to exercise or control the exercise of 30% or more in aggregate of the voting power at general meetings of our Company,

whichever occurs first (the “**Restricted Period**”).

CORPORATE GOVERNANCE MEASURES TO AVOID CONFLICT OF INTERESTS

Our Directors recognise the importance of incorporating elements of good corporate governance in management conducive to the protection of the interests of our Shareholders. In particular, the following corporate governance measures in relation to managing potential conflict of interests between our Group and the Remaining Group will be taken:

- (a) our independent non-executive Directors will review, on an annual basis, the compliance with and enforcement of the terms of the Deed of Non-competition by our Controlling Shareholders;
- (b) our Controlling Shareholders shall provide all information necessary for the annual review by our independent non-executive Directors of the compliance with and enforcement of the Deed of Non-competition;
- (c) our Controlling Shareholders shall use their respective reasonable endeavours to procure that their respective close associates shall provide all relevant information of the Controlling Shareholders and their respective close associates as necessary, subject to confidentiality restrictions owed by them to any third party, for the annual review by our independent non-executive Directors and professional advisers of our Company with regard to the compliance with and enforcement of the Deed of Non-competition;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (d) our Company will disclose decisions with basis on matters reviewed by our independent non-executive Directors relating to the compliance with and enforcement of the undertakings of our Controlling Shareholders under the Deed of Non-competition either through the annual or interim report of our Company, or by way of announcements to the public;
- (e) our Company will disclose in the corporate governance report of our annual report on how the terms of the Deed of Non-competition have been complied with and enforced;
- (f) our Company will disclose the annual statement on compliance with the Deed of Non-competition made by the Controlling Shareholders in our subsequent annual reports;
- (g) in the event that a Foundation Business Opportunity or otherwise is identified by the Remaining Group, it shall refer such Foundation Business Opportunity to our Group and shall not pursue such Foundation Business Opportunity unless the independent non-executive Directors have resolved to decline such Foundation Business Opportunity on a case-by-case basis and have notified in writing of their decisions with relevant reasons;
- (h) any transaction (if any) between (or proposed to be made between) our Group and connected persons will be required to comply with Chapter 14A of the Listing Rules, including, where applicable, the announcement, reporting, annual review and independent shareholders' approval requirements and with those conditions imposed by the Stock Exchange for the granting of waiver from strict compliance with the relevant requirements under the Listing Rules; and
- (i) in the event that there is conflict of interest in the operations of our Group and the Remaining Group and its associates, and in respect of any proposed contracts or arrangements between our Group and the Remaining Group and its associates, any Director, who is considered to be interested in a particular matter or the subject matter, shall disclose his interests to the Board. Pursuant to the Bye-laws, should a Director or his/her close associate have any material interests in the matter (other than certain matters permitted under note 1 to Appendix 3 to the Listing Rules), he shall not vote on the resolutions of the Board approving the same and shall not be counted in the quorum of the relevant Board meeting.

On the basis that all Directors (except for Mr. Fung and Mr. Chan) and senior management of our Group do not hold any position in the Remaining Group upon Listing, and that each of the executive Directors and senior management has extensive and relevant experience in the Foundation Business, the Directors are of the view that the Board will have the expertise to transact business which may potentially involve conflict of interest between the Remaining Group and our Group objectively, impartially and in the interest of our Company and our Shareholders as a whole.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between the Remaining Group and our Group and to protect the interests of our Shareholders, in particular, our minority Shareholders.

CONNECTED TRANSACTIONS

Our Group has entered into certain transactions with parties who will become connected persons of our Company upon Listing. Some of such transactions will continue following Listing and will therefore constitute continuing connected transactions of our Group under the Listing Rules.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Provision of administrative services

Connected person

CAG is a substantial shareholder and a Controlling Shareholder of our Company, and is therefore a connected person of our Company under the Listing Rules.

Transaction

Our Company entered into an administrative services agreement (the “**Administrative Services Agreement**”) with CAG on 20 October 2015 in respect of the provision of accounting, information technology support and/or such other services by the Remaining Group to our Group and the provision of certain administrative services by our Group to the Remaining Group. The charges payable under the Administrative Services Agreement have been determined on cost basis which are allocated to the parties and calculated based on the time spent by the staff on the provision of relevant services. Our Directors are of the view that such transaction has been and will be entered into in the ordinary and usual course of business and on normal commercial terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Listing Rules implications

Since the provision of the administrative services under the Administrative Services Agreement is on a cost basis and the costs are identifiable and are allocated to the parties involved on a fair and equitable basis, pursuant to Rule 14A.98 of the Listing Rules, such transaction is fully exempt from shareholders’ approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

2. Purchase of consumables and parts of machinery

Connected person

Jacobson van den Berg (China) Limited is an indirect wholly-owned subsidiary and an associate of CAG, and is therefore a connected person of our Company under the Listing Rules.

Transaction

During the Track Record Period, we have purchased some consumables and parts of machinery from Jacobson van den Berg (China) Limited on an ad-hoc basis for the repair and maintenance of machineries (the “**Purchase**”). The aggregate amounts paid to Jacobson van den Berg (China) Limited for each of the three financial years ended 31 December 2014 and the four months ended 30 April 2015

CONNECTED TRANSACTIONS

amounted to approximately HK\$353,000, HK\$183,000, HK\$570,000 and Nil, respectively. The prices of the Purchase were determined by arm's length negotiations between the parties. Our Directors are of the view that such transaction has been and will be entered into in the ordinary and usual course of business and on normal commercial terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Listing Rules implications

As the relevant percentage ratios for the purchase are less than 0.1% and the transactions are on normal commercial terms, these transactions are qualified under Rule 14A.76 (1)(a) of the Listing Rules as de minimis transactions that are fully exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

3. Leasing of office space

Connected persons

As at the Latest Practicable Date, Hon Kwok was owned as to approximately 69.57% by Mr. Wong through various companies and an associate of Mr. Wong, and is therefore a connected person of our Company under the Listing Rules. Each of Right Able Limited, Chinney Construction Company Limited and Jackson Mercantile Trading Co. Limited is an indirect wholly-owned subsidiary and an associate of CAG, and is therefore also a connected person of our Company under the Listing Rules.

Transactions

Our Group has entered into a lease agreement with each of Hon Kwok, Right Able Limited, Chinney Construction Company Limited and Jackson Mercantile Trading Co. Limited (collectively, the "**Connected Landlords**") to lease certain properties from each of the Connected Landlords in accordance with the respective terms of the relevant lease agreements (each a "**Connected Lease Agreement**" and collectively, "**Connected Lease Agreements**") as the offices of our Group. As the transaction contemplated under each of the Connected Lease Agreement is in the same nature, all such transactions are aggregated in accordance with Rule 14A.81 of the Listing Rules. The following sets out the material terms of the Connected Lease Agreements entered into between our Group and each of the Connected Landlords:

a. *Lease of a portion of the office at 23/F Wing On Centre*

Pursuant to a sub-tenancy agreement dated 1 August 2015 entered into between Hon Kwok and Kin Wing Engineering, Hon Kwok sub-leased a portion of the office located at 23/F, Wing On Centre, 111 Connaught Road Central, Hong Kong to Kin Wing Engineering at a monthly rental of HK\$18,000 for a term commencing from 1 August 2015 to 31 July 2018.

CONNECTED TRANSACTIONS

b. *Lease of Unit 8AB of Hong Kong Spinners Industrial Building*

Pursuant to a lease agreement dated 2 January 2015 entered into between Right Able Limited and Kin Wing Engineering, Right Able Limited leased the office located at Unit AB, 8th Floor, Hong Kong Spinners Industrial Building, Phase 6, No. 481 to 483 Castle Peak Road, Kowloon, Hong Kong to Kin Wing Engineering at a monthly rental of HK\$5,803.0 for a term commencing from 1 January 2015 to 31 December 2015.

c. *Lease of Unit 9AB of Hong Kong Spinners Industrial Building*

Pursuant to a lease agreement dated 2 January 2015 entered into between Chinney Construction Company Limited and Kin Wing Engineering, Chinney Construction Company Limited leased the office located at Unit AB, 9th Floor, Hong Kong Spinners Industrial Building, Phase 6, No. 481 to 483 Castle Peak Road, Kowloon, Hong Kong to Kin Wing Engineering at a monthly rental of HK\$79,105.0 for a term commencing from 1 January 2015 to 31 December 2015.

d. *Lease of Unit 9C of Hong Kong Spinners Industrial Building*

Pursuant to a lease agreement dated 2 January 2015 entered into between Jackson Mercantile Trading Co. Limited and Kin Wing Engineering, Jackson Mercantile Trading Co. Limited leased the office located at Unit C, 9th Floor, Hong Kong Spinners Industrial Building, Phase 6, No. 481 to 483 Castle Peak Road, Kowloon, Hong Kong to Kin Wing Engineering at a monthly rental of HK\$37,189.0 for a term commencing from 1 January 2015 to 31 December 2015.

The rental payable under each Connected Lease Agreement has been determined through arm's length negotiations between the parties to the agreement and with reference to prevailing rental payment for using similar office premises. Our Directors are of the view that the Connected Lease Agreements have been entered into in the ordinary and usual course of business and on normal commercial terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Listing rules implications

As the relevant percentage ratios for the Connected Lease Agreements are less than 5% and the total consideration is less than HK\$3,000,000.0, and the transactions are on normal commercial terms, these transactions are qualified under Rule 14A.76(1)(c) of the Listing Rules as de minimis transactions that are fully exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

ONE-OFF TRANSACTION

Connected person

Chinney Construction Company Limited is an indirect wholly-owned subsidiary of CAG, and is therefore a connected person of our Company under the Listing Rules.

Transaction

Chinney Construction Company Limited had selected Kin Wing Engineering as a subcontractor for piling system and bored piles (the “**Sub-Contracting Arrangement**”) from various tenderers for its construction project at Yau Yue Wan Village Road, Tseung Kwan O, Hong Kong. Chinney Construction Company Limited and Kin Wing Engineering have entered into a subcontracting agreement on 12 October 2015.

The total estimated contract sum for the Sub-Contracting Arrangement will amount to approximately HK\$35.8 million which was arrived at after arm’s length negotiations between Chinney Construction Company Limited and Kin Wing Engineering and was determined with reference to, among other things, (i) the prevailing market prices of the materials; (ii) the scale, complexity and specifications of the project; (iii) the estimated gross profit margins of our Group for similar projects with independent third party contractors; and (iv) credit worthiness of Chinney Construction Company Limited. Our Directors are of the view that such transaction has been entered into in the ordinary and usual course of the Company’s business, on normal commercial terms that are fair and reasonable and in the interests of the Company’s Shareholders as a whole.

All works under the Sub-Contracting Arrangement are expected to be completed in April 2016.

Listing Rules implications

The Sub-Contracting Arrangement is a one-off transaction entered into by Kin Wing Engineering prior to Listing. Such transaction will not, following Listing, constitute continuing connected transaction of our Group under Chapter 14A of the Listing Rules, and will not be subject to further requirements under the Listing Rules. Our Group will comply with the relevant requirements under Chapter 14A of the Listing Rules should there be any material change to the terms thereof or if we enter into any other connected transaction in relation thereto after Listing.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, each of the following persons will, immediately after completion of the Capitalisation Issue and the Global Offering (assuming that all Qualifying CAG Shareholders except Multi-Investment, Enhancement Investments and Chinney Capital take up their respective Preferential Entitlements under the Preferential Offer in full, and taking no account of any Hong Kong Offer Shares which may be taken up by CAG under the Hong Kong Public Offer and any Shares which may be allotted and issued upon exercise of the Over-allotment Option), have an interest or short position in our Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, are 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 our Company:

Interests in our Company

Name of shareholder(s)	Capacity/Nature of interest	Number of Shares	Approximate percentage
Mr. Wong	Interest in controlled corporation (Note 2)	1,117,500,000 (L) (Note 1)	74.5%
Enhancement Investments	Interest in controlled corporation (Note 2)	1,117,500,000 (L) (Note 1)	74.5%
CAG	Beneficial owner	1,117,500,000 (L) (Note 1)	74.5%

Notes:

- (1) The letter “L” denotes a person’s long position in such Shares.
- (2) CAG is owned as to approximately 40.89% by Enhancement Investments, which is in turn wholly-owned by Mr. Wong. Mr. Wong and Enhancement Investments are deemed to be interested in our Shares held by CAG.

Save as disclosed above, our Directors are not aware of any persons who will, immediately following completion of the Capitalisation Issue and Global Offering, have an interest or a short position in our Shares or underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, 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 our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and following the completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option):

Authorised share capital:

	<u>HK\$</u>
3,000,000,000 Shares of par value of HK\$0.1 each	300,000,000

Shares issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Global Offering:

Issued and to be issued, fully paid or credited as fully paid:

<u>Shares</u>		<u>HK\$</u>
10,000	Shares in issue at the date of this prospectus	1,000
1,117,490,000	Shares to be issued pursuant to the Capitalisation Issue	111,749,000
<u>382,500,000</u>	Shares to be issued pursuant to the Global Offering	<u>38,250,000</u>
<u>1,500,000,000</u>	Total	<u>150,000,000</u>

ASSUMPTIONS

This table assumes that the Global Offering has become unconditional and the issue of Shares pursuant thereto is made as described herein. It does not take into account any Shares which may be allotted and issued or repurchased by our Company under the general mandates given to our Directors to allot and issue or repurchase Shares.

RANKING

The Offer Shares are ordinary shares in the share capital of our Company and will rank pari passu with all Shares in issue or to be issued as set out in the above table, and will qualify and rank equally for all dividends or other distributions declared, made or paid after the date of this prospectus.

CAPITALISATION ISSUE

Pursuant to the resolutions of our sole Shareholder passed on 20 October 2015, subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of Offer Shares pursuant to the Global Offering, our Directors are authorised to allot and issue a total of 1,117,490,000 Shares credited as fully paid at par to the holder(s) of Shares on the register of members of our Company at the close of business on 20 October 2015 (or another date

SHARE CAPITAL

as our Directors may direct) in proportion to their respective shareholdings by way of capitalisation of the sum of HK\$111,749,000.0 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the Bye-laws, or an issue of Shares upon the exercise of the Over-allotment Option or any options which may be granted under any option scheme or similar arrangement for the time being adopted, Shares with an aggregate nominal amount not exceeding 20.0% of the aggregate nominal value of the issued share capital of our Company immediately following completion of the Spin-off, the Capitalisation Issue and the Global Offering.

This general mandate to issue Shares will remain in effect until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next general meeting of our Company is required by the Bye-laws or any applicable law of Bermuda to be held, or the passing of an ordinary resolution of the Shareholders in a general meeting revoking, varying or renewing such mandate, whichever is the earliest.

For further details of this general mandate, see the paragraph headed “Statutory and General Information — A. Further Information about our Company and our Group — 3. Written resolutions of our sole Shareholder” in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, with a total nominal value of not more than 10.0% of the aggregate nominal value of our Company’s share capital in issue immediately following completion of the Spin-off, Capitalisation Issue and the Global Offering until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by the Bye-laws or any applicable law of Bermuda to be held, or the passing of an ordinary resolution of the Shareholders in a general meeting revoking, varying or renewing such mandate which is the earliest.

For further details of this repurchase mandate, see the paragraph headed “Statutory and General Information — A. Further Information about our Company and our Group — 3. Written resolutions of our sole Shareholder” in Appendix IV to this prospectus.

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CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Companies Act and the terms of the Bye-laws, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may, by special resolutions, subject to any confirmation or consent required by law, reduce its share capital or, save for the use of share premium as expressly permitted by the Companies Act, any share premium account or other undistributable reserve. For details, see the paragraph headed “Summary of the Constitution of our Company and Bermuda Company Law — 2. Bye-laws — (c) Alteration of capital” in Appendix III to this prospectus.

Subject to the Companies Act, all or any of the special rights attached to the Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths 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. For details, see the paragraph headed “Summary of the Constitution of our Company and Bermuda Company Law — 2. Bye-laws — (d) Variation of rights of existing shares or classes of shares” in Appendix III to this prospectus.

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OVERVIEW

We are engaged in a wide range of foundation works including (i) piling construction (such as bored piling, percussive H-piling, socketed H-piling, mini-piling and sheet piling) and other ancillary services (such as ELS works, site formation and pile cap construction); and (ii) drilling and site investigation. We have a history of over 20 years and during the Track Record Period, we have completed a total of 47 piling construction projects and 141 drilling and site investigation projects, which are all located in Hong Kong except one piling construction project in Macau with the contract sum of approximately MOP180.3 million awarded in the year of 2011 and completed in 2014.

Our piling construction business is generally undertaken through Kin Wing Engineering and Kin Wing Foundations while our drilling and site investigation business is carried out through DrilTech Ground and DrilTech Geotechnical (collectively known as “**Principal Subsidiaries**”), which are all our wholly-owned subsidiaries.

As at the Latest Practicable Date, we have a total of 30 contracts on hand (including contracts in progress and contracts yet to be commenced) for the total contract sum of approximately HK\$3,240.6 million.

BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully explained in the paragraph headed “History and Corporate Structure — Our Reorganisation” in this prospectus, our Company became the holding company of our Group following the completion of the Reorganisation. As the Reorganisation only involved insertion of a new holding company at the top of an existing holding company and has not resulted in any change of economic substance, for the purpose of this report, the information in the “Accountants’ Report” set out in Appendix I of this prospectus and this section has been prepared on a combined basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Period.

Accordingly, no adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

All intra-group transactions and balances have been eliminated on combination.

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KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

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

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

All our operations and management are located in Hong Kong during the Track Record Period (except for a portion of revenue which arose from a piling construction project in Macau). The future growth and level of profitability of the foundation industry in Hong Kong depend primarily upon the continued availability of construction projects. The nature, extent and timing of such projects will, however, be determined by the interplay of a variety of factors. These factors include, in particular, the Hong Kong Government's spending patterns on the construction industry in Hong Kong and its land supply and public housing policy, speed of approval of the relevant budgets or projects, 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 public sector, private sector or institutional bodies. Apart from the public spending of the Hong Kong Government, other factors also affect the foundation industry. These 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. 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 foundation works in Hong Kong deteriorates, our operations and profitability could be adversely affected.

Our revenue is mainly derived from successful tenders of foundation projects which are not recurrent in nature, and there is no guarantee that our customers will provide us with new business or that we will secure new customers

During the Track Record Period, all of our revenue was derived from foundation projects in Hong Kong and Macau which were awarded to us on successful tenders. 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. There is no guarantee that our current customers will continue to include us in the tendering process or 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.

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Shortage of labour may affect our projects and our performance

There is no assurance that the supply of labour and average labour costs will be stable. If there is a significant increase in the costs of labour and we have to retain our labour (or our subcontractors have to retain their labour) by increasing their wages, our staff cost or subcontracting cost (as the case may be) will increase and thus lower our profitability. On the other hand, if we or our subcontractors fail to retain our existing labour or recruit sufficient labour in a timely manner to cope with our existing or future projects, we may not be able to complete our projects on schedule and may be subject to liquidated damages and incur losses.

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

Our principal construction materials include concrete, steel bar, diesel and other metal materials. For the three years ended 31 December 2014 and the four months ended 30 April 2015, the costs of construction materials amounted to approximately HK\$421.1 million, HK\$406.9 million, HK\$390.6 million and HK\$170.6 million respectively, representing approximately 47.6%, 41.4%, 35.4% and 36.5% of our total cost of sales, respectively.

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

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

Our Group's foundation contracts normally require our customers to make progress payments on a monthly basis. Once our Group has submitted a monthly bill, the consultant or architect appointed by our customer will certify the amount of work done. Our customer usually settles the bill, net of any agreed retention money, ranging from 30-45 days after receipt of the consultant/architect's certification. Our trade receivables were approximately HK\$101.4 million, HK\$138.6 million, HK\$189.2 million and HK\$247.1 million as at 31 December 2012, 2013, 2014 and 30 April 2015, respectively. We did not experience material difficulty in collecting our trade 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.

In addition, retention monies are generally required by our customers to secure our Group's due performance of the contracts. The retention money is normally 10.0% of the value of the works done, subject to a maximum retention of 5.0% of the total contract value. Upon satisfactory completion of

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the contract, a practical completion certificate will be issued by the architect, at which time half of the retention money will be released. The rest of the retention money is usually released upon the expiry of the defect liability period. A maintenance certificate is normally issued by the architect to authorise such release. As at 30 April 2015, the aggregate retention money held by our customers for contracted works included in our retention receivables amounted to approximately HK\$176.0 million. 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 foundation 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.

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

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our Group's financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong. The significant accounting policies adopted by our Group are set forth in details in the Accountants' Report set out in Appendix I to this prospectus. Some of the accounting policies involve judgements, estimates, and assumptions made by our management, all of which are subject to inherent uncertainties. The estimates and the associated assumptions are based on historical data and our experience and factors that we believe to be relevant and reasonable under the circumstances. The following paragraphs summarise the critical accounting policies and estimates applied in the preparation of our Group's combined financial statements.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" below;

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- (b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset; and
- (c) rental income, on a time proportion basis over the lease terms.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method, depends on the nature of the contract works, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract or to the percentage of certified work performed to date to the estimated total sum of the relevant contracts. When the outcome of the contracts cannot be estimated reliably, revenue is recognised only to the extent of certified work performed that is probable to be recoverable.

Revenue from cost plus construction contracts is recognised on the percentage of completion method, by reference to the recoverable costs incurred during the period plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the lease terms or 10% - 33 $\frac{1}{3}$ %
Machinery	6% - 25%
Motor vehicles	25%
Furniture, fixtures and equipment	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases are charged to profit or loss on the straight-line basis over the lease terms.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than construction contract assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value

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in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Dividends

When final dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

SUMMARY OF RESULTS OF OPERATIONS

The following combined statements of profit or loss and comprehensive income during the Track Record Period and the combined statements of financial position as of 31 December 2012, 2013 and 2014 and 30 April 2015 are summarised below, which have been extracted from the Accountants' Report set out in Appendix I to this prospectus. As such, the following sections should be read in conjunction with the Accountants' Report set out in Appendix I to this prospectus.

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Combined statements of profit or loss and comprehensive income

	Year ended 31 December			Four months ended 30 April	
	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>
				<i>(unaudited)</i>	
REVENUE	1,048,694	1,178,324	1,381,489	481,516	599,825
Cost of sales	(884,714)	(982,683)	(1,103,437)	(406,624)	(467,505)
Gross profit	163,980	195,641	278,052	74,892	132,320
Other income and gains	3,259	6,268	4,081	401	119
Administrative expenses	(123,571)	(134,764)	(166,530)	(47,473)	(62,923)
Finance costs	(1,219)	(598)	(75)	(14)	—
Profit before tax	42,449	66,547	115,528	27,806	69,516
Income tax expense	(9,063)	(7,726)	(16,938)	(4,783)	(11,439)
Profit and total comprehensive income for the year/period	<u>33,386</u>	<u>58,821</u>	<u>98,590</u>	<u>23,023</u>	<u>58,077</u>

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Combined statements of financial position

	As at 31 December			As at
	2012	2013	2014	30 April
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets				
Property, plant and equipment	167,267	230,080	269,586	306,975
Deferred tax assets	3,300	1,835	1,952	2,470
Total non-current assets	<u>170,567</u>	<u>231,915</u>	<u>271,538</u>	<u>309,445</u>
Current assets				
Inventories	2,199	3,586	3,103	2,391
Gross amount due from contract customers	58,912	79,059	43,067	34,190
Trade and other receivables	194,039	259,666	372,706	444,365
Due from the Remaining Group	39,668	22,606	21,962	21,962
Tax recoverable	1,257	7,048	—	—
Pledged deposits	8,834	6,751	11,755	13,488
Cash and cash equivalents	<u>63,865</u>	<u>136,648</u>	<u>155,254</u>	<u>209,852</u>
Total current assets	<u>368,774</u>	<u>515,364</u>	<u>607,847</u>	<u>726,248</u>
Current liabilities				
Gross amount due to contract customers	136,775	290,505	420,221	513,269
Trade and other payables	144,403	178,932	192,214	185,536
Due to the Remaining Group	16,709	21,519	96	—
Tax payable	4,950	785	9,579	19,975
Obligations under finance leases	13,410	—	—	—
Interest-bearing bank borrowings	<u>4,800</u>	<u>2,400</u>	<u>—</u>	<u>—</u>
Total current liabilities	<u>321,047</u>	<u>494,141</u>	<u>622,110</u>	<u>718,780</u>
Net current assets/(liabilities)	<u>47,727</u>	<u>21,223</u>	<u>(14,263)</u>	<u>7,468</u>
Non-current liabilities				
Obligations under finance leases	7,768	—	—	—
Deferred tax liabilities	<u>22,915</u>	<u>27,706</u>	<u>33,753</u>	<u>35,314</u>
Total non-current liabilities	<u>30,683</u>	<u>27,706</u>	<u>33,753</u>	<u>35,314</u>
Net assets	<u>187,611</u>	<u>225,432</u>	<u>223,522</u>	<u>281,599</u>
Equity				
Issued capital	—	—	—	—
Reserves	<u>187,611</u>	<u>225,432</u>	<u>223,522</u>	<u>281,599</u>
Total equity	<u>187,611</u>	<u>225,432</u>	<u>223,522</u>	<u>281,599</u>

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PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

Revenue

Revenue represents revenue recognised from appropriate portion of construction contract received and receivable in our ordinary course of business, being (i) piling construction and other ancillary services; and (ii) drilling and site investigation during the year/period. Construction contract income is recognised based on the stage of completion. The stage of completion is established by reference to the construction works certified by our customers. The portion of total construction contract amount that is certified to have been completed in a period is recognised as revenue of our Group in the respective period.

The following table sets forth a breakdown of our revenue by activity for the Track Record Period:

	Year ended 31 December						Four months ended 30 April			
	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>	%
	<i>(unaudited)</i>									
Revenue										
Piling construction and other ancillary services	933,959	89.1	1,059,906	90.0	1,233,410	89.3	424,574	88.2	550,712	91.8
Drilling and site investigation	114,735	10.9	118,418	10.0	148,079	10.7	56,942	11.8	49,113	8.2
Total	<u>1,048,694</u>	<u>100.0</u>	<u>1,178,324</u>	<u>100.0</u>	<u>1,381,489</u>	<u>100.0</u>	<u>481,516</u>	<u>100.0</u>	<u>599,825</u>	<u>100.0</u>

Our Group recorded an increasing trend on total revenue during the Track Record Period. For the three years ended 31 December 2014, our revenue increased from approximately HK\$1,048.7 million to approximately HK\$1,178.3 million and further to approximately HK\$1,381.5 million, respectively, representing a CAGR of approximately 14.8%. For the four months ended 30 April 2014 and 2015, our revenue increased by approximately 24.6% from approximately HK\$481.5 million to approximately HK\$599.8 million. The surge in revenue was mainly attributable to increase in number of projects with larger contract sum being carried out by our Group.

Revenue contribution from each business segment of our Group remained stable year-on-year during the Track Record Period, which was in line with the type of construction works being awarded to our Group during the respective periods.

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The following table sets forth a breakdown of our Group's gross profit and gross profit margin by activity during the Track Record Period:

	Year ended 31 December						Four months ended 30 April			
	2012		2013		2014		2014		2015	
	<i>Gross profit</i>	<i>margin</i>	<i>Gross profit</i>	<i>margin</i>	<i>Gross profit</i>	<i>margin</i>	<i>Gross profit</i>	<i>margin</i>	<i>Gross profit</i>	<i>margin</i>
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
	<i>(unaudited)</i>									
Gross profit and gross profit margin										
Piling construction and other ancillary services	138,784	14.9	181,721	17.1	258,996	21.0	68,185	16.1	125,654	22.8
Drilling and site investigation	<u>25,196</u>	22.0	<u>13,920</u>	11.8	<u>19,056</u>	12.9	<u>6,707</u>	11.8	<u>6,666</u>	13.6
Total	<u>163,980</u>	15.6	<u>195,641</u>	16.6	<u>278,052</u>	20.1	<u>74,892</u>	15.6	<u>132,320</u>	22.1

The revenue of our foundation works contracts is primarily represented by their respective contract sums, which are determined based on the tender prices we submit during the tendering process. Generally, we determine the tender price based on our estimated project costs plus a mark-up margin. For further details regarding our price determination, please refer to the paragraph headed "Business — Operating Procedures — 1. Tender phase — Preparation and submission of tender documents — Project quote determination" in this prospectus. As a result, the gross profit and gross profit margin of our projects would be dependent on whether we can complete the projects within our budgeted costs. However, the actual project costs may be different from our estimated costs because of a number of factors including but not limited to the scope and complexity of the projects, site conditions, project time frame, estimated construction materials costs and labour cost. Some of these factors are beyond the control of our Group. We may also be subject to liquidated damages due to delay in completing the project if extension of time is not granted by our customers. As such, if the actual costs for a particular project exceed our budget or if there is any unforeseen factor leading to delay in completing the project and provision for liquidated damages has to be made, we may be subject to cost overruns, and will in turn result in lower profit margin or even a loss for that project. On the contrary, if we can effectively control our project costs within the budget or our customers eventually allow for extension of time for any project in respect of which provision for liquidated damages has been made due to our delay, our gross profit and gross profit margin would be higher.

Because of the reasons above, the gross profit and gross profit margin of our Group are, to certain extent, dependent on the actual circumstances in the course of implementation of each individual project, and therefore would fluctuate year by year. In particular, the gross profit margin contributed by the contracts from drilling and site investigation for the year ended 31 December 2012 was approximately 22.0% which was exceptionally higher than subsequent years. It was mainly due to the fact that the actual costs of certain completed projects in 2012 were lower than our budgeted costs as a result of our effective cost control measures and therefore the relevant previously accrued costs were released and resulted in higher gross profit for these projects.

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As mentioned in the paragraph headed “Principal Components of Results of Operations — Administrative expenses” in this section, the depreciation charges of our machinery for piling construction and ancillary works were classified as administrative expenses consistently during the Track Record Period and thus the depreciation charges do not have impact on our cost of sales and gross profit.

Piling construction and other ancillary services

For the three years ended 31 December 2014 and the four months ended 30 April 2015, there were respectively, 42, 35, 38 and 31 piling construction and other ancillary services projects contributing revenue of approximately HK\$934.0 million, HK\$1,059.9 million, HK\$1,233.4 million and HK\$550.7 million, respectively to this business segment, at a growth rate of about 13.5%, 16.4% and 29.7% on a period-by-period basis. Our Group has adopted the business strategy to pursue larger scale projects in terms of contract sum during the Track Record Period. Set out below is the breakdown of such projects based on their respective revenue recognised during the Track Record Period.

	Year ended 31 December									Four months ended 30 April		
	2012			2013			2014			2015		
	Projects brought forward	New projects	Total number of projects	Projects brought forward	New projects	Total number of projects	Projects brought forward	New projects	Total number of projects	Projects brought forward	New projects	Total number of projects
Revenue recognised												
HK\$100 million or above	1	2	3	2	—	2	2	2	4	1	—	1
HK\$10 million - below												
HK\$100 million	8	7	15	8	10	18	12	10	22	6	6	12
HK\$1 million - below												
HK\$10 million	8	4	12	5	3	8	5	—	5	15	—	15
Below HK\$1 million	12	—	12	5	2	7	5	2	7	3	—	3
Total	29	13	42	20	15	35	24	14	38	25	6	31

Set out below is an analysis of our material projects in terms of revenue recognised:

	Year ended 31 December						Four months ended 30 April	
	2012		2013		2014		2015	
	HK\$'000	% to the total revenue	HK\$'000	% to the total revenue	HK\$'000	% to the total revenue	HK\$'000	% to the total revenue
Revenue from the largest project in terms of revenue recognised	160,705	17.2	269,861	25.5	168,740	13.7	146,709	26.6
Revenue from the top five projects in terms of revenue recognised	533,959	57.2	662,971	62.5	614,923	49.9	357,817	65.0

The following table sets out the details of piling construction and other ancillary services projects during the Track Record Period.

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Piling construction and other ancillary services projects

Project number	Sector	Our role	Type of contract	Revenue recognised				During the Track Record Period				
				For the year ended 31 December		For the four months ended						
				2012	2013	2014	30 Apr 2015					
				HK\$'million	%	HK\$'million	%	HK\$'million	%	HK\$'million	%	
				(Note 2)	(Note 3)	(Note 3)	(Note 3)	(Note 3)	(Note 3)	(Note 3)	(Note 3)	
P-1	Private	Main contractor	B	6	1	270	25	18	1	—	—	294
P-3	Private	Main contractor	B	128	14	93	9	—	—	—	—	221
Ongoing P-3	Private	Main contractor	B	45	5	147	14	17	1	8	1	217
Ongoing P-1	Public	Main contractor	A	—	—	—	—	53	4	147	27	200
Ongoing P-2	Private	Main contractor	A	—	—	1	—	102	8	97	18	200
P-4	Private	Main contractor	B	—	—	55	5	124	10	—	—	179
P-2	Public	Main contractor	A	161	17	15	1	—	—	—	—	176
P-5	Private	Subcontractor	A	—	—	—	—	169	14	6	1	175
P-11	Private	Main contractor	B	—	—	—	—	132	11	39	7	171
P-6	Private	Main contractor	B	73	7	93	9	—	—	—	—	166
P-8	Private	Main contractor	B	102	11	28	3	—	—	—	—	130
P-9	Private	Main contractor	B	—	—	14	1	88	7	13	2	115
Others (Note 4)				419	45	344	33	530	44	241	44	1,534
Total				934	100	1,060	100	1,233	100	551	100	3,778

Notes:

- Public sector consists of HKSAR including Hong Kong Housing Authority, Hong Kong Housing Society, CEDD, Highways Department and Architectural Services Department. Private sector represents all parties except those bodies defined as public sector.
- “A” represents “build only” contracts while “B” represents “design and build” contracts. For further details, please refer to the paragraph headed “Business — Business Overview” in this prospectus.
- Figure represents the percentage of revenue contribution of each project during the respective year.
- “Others” represents remaining projects carried out by the Group with revenue recognised less than HK\$100 million during the Track Record Period.

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Drilling and site investigation

For the three years ended 31 December 2014 and the four months ended 30 April 2015, there were respectively, 81, 82, 73 and 41 drilling and site investigation projects contributing revenue of approximately HK\$114.7 million, HK\$118.4 million, HK\$148.1 million and HK\$49.1 million, respectively. Our Group has adopted the business strategy to pursue larger scale projects in terms of contract sum during the Track Record Period. Set out below is the breakdown of such projects based on their respective revenue recognised during the Track Record Period.

	Year ended 31 December									Four months ended 30 April		
	2012			2013			2014			2015		
	Projects brought forward	New projects	Total number of projects	Projects brought forward	New projects	Total number of projects	Projects brought forward	New projects	Total number of projects	Projects brought forward	New projects	Total number of projects
Revenue recognised												
HK\$10 million or above	2	—	2	2	1	3	4	1	5	—	—	—
HK\$1 million - below												
HK\$10 million	11	8	19	5	14	19	10	6	16	8	3	11
Below HK\$1 million	32	28	60	22	38	60	21	31	52	16	14	30
Total	45	36	81	29	53	82	35	38	73	24	17	41

Set out below is an analysis of material projects in terms of revenue recognised:

	Year ended 31 December						Four months ended 30 April	
	2012		2013		2014		2015	
	HK\$'000	% of the total revenue	HK\$'000	% of the total revenue	HK\$'000	% of the total revenue	HK\$'000	% of the total revenue
Revenue from the largest project in terms of revenue recognised	34,330	29.9	26,006	22.0	24,417	16.5	7,088	14.4
Revenue from the top five projects in terms of revenue recognised	64,082	55.9	63,404	53.5	92,175	62.2	30,522	62.1

As abovementioned, slight fluctuation in number of projects contributed to our revenue over the Track Record Period was mainly due to our efforts in pursuing projects of relatively larger scale in terms of contract sum which is in line with our business strategy. The following table sets out the details of our drilling and site investigation projects during the Track Record Period.

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Drilling and site investigation projects

		Revenue recognised						
Project number	Sector	Our role	For the year ended 31 December		For the four months ended		During the Track Record Period	
			2012	2013	2014	30 Apr 2015		HK\$ million
			HK\$ million	%	HK\$ million	%	HK\$ million	
			(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	
D-1	Public	Main contractor	13	11	26	22	—	59
D-3	Private	Subcontractor	34	30	—	—	—	34
Ongoing D-21	Public	Main contractor	—	—	2	2	24	12
Ongoing D-18	Private	Subcontractor	—	—	—	—	21	10
D-4	Private	Subcontractor	—	—	2	2	16	8
D-5	Private	Subcontractor	1	1	10	8	5	2
D-7	Private	Subcontractor	—	—	5	4	10	—
Others (Note 3)			67	58	73	62	49	68
Total			115	100	118	100	148	100

All projects in drilling and site investigation were “build only” contracts during the Track Record Period.

Notes:

- Public sector consists of HKSAR including Hong Kong Housing Authority, Hong Kong Housing Society, CEDD, Highways Department and Architectural Services Department. Private sector represents all parties except those bodies defined as public sector.
- Figure represents the percentage of revenue contribution of each project during the respective year.
- “Others” represents remaining projects carried out by the Group with revenue recognised less than HK\$15 million during the Track Record Period.

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Our different types of foundation works contracts

“Design and build” contracts and “build only” contracts

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, gross profit and gross profit margin by type of contracts awarded during the Track Record Period:

Turnover by contract type	For the year ended 31 December						For the four months ended	
	2012		2013		2014		30 April 2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Design and build contracts	614,164	58.6	928,236	78.8	884,150	64.0	265,156	44.2
Build only contracts	434,530	41.4	250,088	21.2	497,339	36.0	334,669	55.8
	<u>1,048,694</u>	<u>100.0</u>	<u>1,178,324</u>	<u>100.0</u>	<u>1,381,489</u>	<u>100.0</u>	<u>599,825</u>	<u>100.0</u>

Gross profit and gross profit margin by contract type	For the year ended 31 December						For the four months ended	
	2012		2013		2014		30 April 2015	
	<i>Gross profit</i>	<i>Gross profit margin</i>	<i>Gross profit</i>	<i>Gross profit margin</i>	<i>Gross profit</i>	<i>Gross profit margin</i>	<i>Gross profit</i>	<i>Gross profit margin</i>
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Design and build contracts	120,492	19.6	133,277	14.4	205,391	23.2	75,345	28.4
Build only contracts	43,488	10.0	62,364	24.9	72,661	14.6	56,975	17.0
	<u>163,980</u>	<u>15.6</u>	<u>195,641</u>	<u>16.6</u>	<u>278,052</u>	<u>20.1</u>	<u>132,320</u>	<u>22.1</u>

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Contracts as main contractor and as subcontractor

During the Track Record Period, we have primarily acted as main contractors of our customers for various types of construction projects in Hong Kong. The table below sets out a breakdown of our Group's turnover by our role as main contractor or subcontractor during the Track Record Period:

Turnover by our Group's role	For the year ended 31 December						For the four months ended	
	2012		2013		2014		30 April 2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Main contractor	891,928	85.1	964,042	81.8	1,069,691	77.4	528,791	88.2
Subcontractor	156,766	14.9	214,282	18.2	311,798	22.6	71,034	11.8
	<u>1,048,694</u>	<u>100.0</u>	<u>1,178,324</u>	<u>100.0</u>	<u>1,381,489</u>	<u>100.0</u>	<u>599,825</u>	<u>100.0</u>

The table below sets out a breakdown of our Group's gross profit and gross profit margin by our role as main contractor or subcontractor during the Track Record Period:

Gross profit and gross profit margin by our Group's role	For the year ended 31 December						For the four months ended	
	2012		2013		2014		30 April 2015	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Main contractor	126,902	14.2	133,557	13.9	215,174	20.1	117,245	22.2
Subcontractor	<u>37,078</u>	23.7	<u>62,084</u>	29.0	<u>62,878</u>	20.2	<u>15,075</u>	21.2
	<u>163,980</u>	15.6	<u>195,641</u>	16.6	<u>278,052</u>	20.1	<u>132,320</u>	22.1

As mentioned in the paragraph headed "Principal Components of Results of Operations — Revenue" in this section, the gross profit and gross profit margin of our Group are dependent on the actual circumstances in the course of implementation of each individual project, and therefore would fluctuate year by year and regardless of business activity, role or contract type.

For each of the two years ended 31 December 2013, the gross profit margin contributed from foundation works in which we were engaged as main contractor was approximately 14.2% and 13.9% respectively, which was lower than the Group's overall gross profit margin. At the same time, the gross profit margin contributed by "design and build" contracts for the year ended 31 December 2013 was approximately 14.4%. In general, we consider that "design and build" contracts offer higher profit

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margin than “build only” contracts. These exceptionally low gross profit margins, however, were mainly attributable to the unexpected difficulties encountered in the execution of certain projects for which we were engaged as main contractor, including projects number “P-2”, “P-3” and “P-6” of which projects number “P-3” and “P-6” were “design and build” contracts, as referred to in the paragraph headed “Business — Business overview — Contracts completed during the Track Record Period” in this prospectus. As a result, actual costs exceeded the budgeted cost and additional provision having been made for the contingency liquidated damages arising from expected delay in project completion time and other contingency costs for remedial works. The aggregate revenue contribution and gross loss amount of the projects number “P-2”, “P-3” and “P-6” during the Track Record Period amounted to approximately HK\$563.4 million and HK\$17.6 million respectively. In particular, project number “P-2” recorded an aggregate gross loss of approximately HK\$22.8 million during the Track Record Period while projects number “P-3” and “P-6” in aggregate recorded gross loss of approximately HK\$1.6 million for the year ended 31 December 2013. Our Group has been taking measures to mitigate the adverse impact of project cost-overruns, as further described in the paragraph headed “Business — Operating Procedures — 3. Implementation phase — Monitoring and control of project costs and progress” in this prospectus.

On the contrary, the gross profit margin contributed from foundation works in which we were engaged as subcontractor for each of the two years ended 31 December 2013 was approximately 23.7% and 29.0%, respectively and the gross profit margin contributed by “build only” contracts for the year ended 31 December 2013 was approximately 24.9%, which were higher than other years/period during the Track Record Period. This was mainly due to the release of previously accrued construction costs of certain “build only” contracts which we were engaged as subcontractor that involved larger contract sum and we were able to complete these projects on time and in a more cost effectively manner.

Contracts from private sector and public sector

During the Track Record Period, majority of our Group’s revenue was contributed by projects awarded in private sector. Our Group enters into contracts for projects under both public and private sectors depending on our capability, resources level, cost effectiveness and complexity of the project.

The table below sets out the revenue contribution, gross profit and gross profit margin from the respective customer segments during the Track Record Period:

Turnover by customer segment	For the year ended 31 December						For the four months ended	
	2012		2013		2014		30 April 2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Private sector ^(Note)	858,397	81.9	1,133,598	96.2	1,278,919	92.6	429,305	71.6
Public sector	190,297	18.1	44,726	3.8	102,570	7.4	170,520	28.4
	<u>1,048,694</u>	<u>100.0</u>	<u>1,178,324</u>	<u>100.0</u>	<u>1,381,489</u>	<u>100.0</u>	<u>599,825</u>	<u>100.0</u>

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Gross profit and gross profit margin by customer segment	For the year ended 31 December						For the four months ended	
	2012		2013		2014		30 April 2015	
	Gross profit/ (loss)	Gross profit/ (loss) margin	Gross profit/ (loss)	Gross profit/ (loss) margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>HK\$'000</i>	<i>% HK\$'000</i>	<i>HK\$'000</i>	<i>% HK\$'000</i>	<i>HK\$'000</i>	<i>% HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
Private sector	184,180	21.5	208,614	18.4	259,848	20.3	111,128	25.9
Public sector	<u>(20,200)</u>	(10.6)	<u>(12,973)</u>	(29.0)	<u>18,204</u>	17.7	<u>21,192</u>	12.4
	<u>163,980</u>	15.6	<u>195,641</u>	16.6	<u>278,052</u>	20.1	<u>132,320</u>	22.1

Note: Amongst the revenue contributed from private sector customers for each of the three years ended 31 December 2014 and the four months ended 30 April 2015, so far as is known to our Directors, approximately 12.3%, 15.0%, 9.2% and 7.6% were related to government's projects or infrastructure projects in which we acted as subcontractor.

In 2013, there was a drop in revenue contribution from public sector customers as we had been engaged in a sizeable project from the Housing Authority from April 2011 to November 2012 and did not obtain other new contracts of comparable size from public sector customers until 2014 due to limitation of our resources and capacity. In September 2014, we obtained another sizeable piling construction contract from the Housing Authority with a contract sum of approximately HK\$379.9 million, which resulted in an increase in revenue contribution from public sector customers for the four months ended 30 April 2015. Although it is our strategy to capture the growing business opportunities in the public sector, we recognise the importance of, and will continue to maintain a well-diversified customer base so that we are not over-reliant on the dynamics of a single market segment. For further details regarding the difference between public and private sector projects, please refer to the paragraph headed "Business — Business Overview — Contracts from private sector and public sector" in this prospectus.

Generally, the gross profit margin contributed by contracts from private sector customers is higher than that from public sector customers as majority of the contracts from private sector customers was derived from "design and build contracts" which generally offer higher profit margins, as further detailed in the paragraph headed "Business — Business Strategies — Improve our margins and profitability" in this prospectus.

The gross loss margins derived from public sector customers of 10.6% and 29.0% recorded for each of the two years ended 31 December 2012 and 2013, respectively, were mainly due to the gross loss of project number "P-2" as referred to in the paragraph headed "Business — Business overview — Contracts completed during the Track Record Period" in this prospectus. Such gross loss was primarily attributable to the difficulties encountered in the execution of the project, resulting in actual cost exceed the budgeted cost and additional provision made for the contingency liquidated damages arising from expected delay in completing certain projects and contingency costs for remedial works. The aggregate revenue contribution and gross loss amount of the project number "P-2" during the

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Track Record Period amounted to approximately HK\$175.8 million and HK\$22.8 million respectively. Our Group has been taking measures to mitigate the adverse impact of project cost-overruns, as further described in the paragraph headed “Business — Operating Procedures — 3. Implementation phase — Monitoring and control of project costs and progress” in this prospectus.

Cost of sales

Cost of sales primarily consists of (i) construction material costs; (ii) subcontracting charges; (iii) staff costs; and (iv) other site overhead including insurance expenses, transportation and other utility expenses. Estimated cost of each project is recognised as cost of sales based on the percentage of completion of the projects. Provision is made for foreseeable losses on individual project as soon as they are anticipated by management. Construction material costs mainly represent costs of concrete, steel bar, diesel and other metal materials. Subcontracting charges represent direct costs for engaging subcontractors to carrying out part of our construction projects when we consider it appropriate or necessary to subcontract after taking into account the availability of our labour and machinery resources. Subcontracting charges include costs of pile cap and lateral support works, H-piling works, predrilling and testing works, bored pile works and others, such as site formation works and reinforcement bar fixing works. Staff costs represent (i) salaries, wages and other benefits; and (ii) contributions to defined contribution retirement plan provided to direct workers and members of our project team who are directly involved in our foundation construction projects.

Our cost of sales amounted to approximately HK\$884.7 million, HK\$982.7 million, HK\$1,103.4 million and HK\$467.5 million for the three years ended 31 December 2014 and the four months ended 30 April 2015 respectively. The following table sets out the breakdown of our cost of sales by nature during the Track Record Period:

	Year ended 31 December			Four months ended 30 April	
	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>
				<i>(unaudited)</i>	
Construction material costs	421,077	406,944	390,569	126,656	170,569
Subcontracting charges	221,154	310,442	382,671	116,886	150,180
Staff costs	112,848	130,487	177,741	104,641	83,579
Others	<u>129,635</u>	<u>134,810</u>	<u>152,456</u>	<u>58,441</u>	<u>63,177</u>
	<u>884,714</u>	<u>982,683</u>	<u>1,103,437</u>	<u>406,624</u>	<u>467,505</u>

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Construction material costs

The table below sets out the breakdown of construction material costs during the Track Record Period:

	Year ended 31 December			Four months ended 30 April	
	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>
				<i>(unaudited)</i>	
Steel reinforcement bar	129,106	88,057	73,588	24,850	42,235
Concrete	105,185	84,510	84,039	16,191	45,677
Sheet pile	36,801	44,842	26,936	4,269	10,826
H-bearing pile	40,979	39,315	61,818	12,014	11,267
Steel pipe	5,346	8,307	5,997	2,013	3,004
Diesel	44,780	39,317	52,552	20,365	16,086
Other parts and consumables	58,880	102,596	85,639	46,954	41,474
	421,077	406,944	390,569	126,656	170,569

The following table illustrates the sensitivity analysis of the estimated impact on our net profit in relation to general percentage changes to the prices of construction material costs with all other variables being constant. According to the Ipsos Report, the cost of our Group's major construction material (including steel, cement, diesel fuel, concrete blocks) recorded CAGR ranging from -4.5% to 6.4% during the period between 2010 and 2014. For prudence sake, our Group adopted a hypothetical fluctuation of 10% and 20% in performing the sensitivity analysis of construction material cost below.

	Increase/(decrease) in net profit				
	for the year ended 31 December			for the four months ended 30 April	
	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>
Construction material costs					
increase/decrease by:					
+ 20%	84,215	81,389	78,114	25,331	34,114
+ 10%	42,108	40,694	39,057	12,666	17,057
- 10%	(42,108)	(40,694)	(39,057)	(12,666)	(17,057)
- 20%	(84,215)	(81,389)	(78,114)	(25,331)	(34,114)

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Subcontracting charges

The table below sets out the breakdown of subcontracting charges during the Track Record Period:

	Year ended 31 December			Four months ended 30 April	
	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>
				<i>(unaudited)</i>	
Pile cap and lateral support works	68,972	145,142	134,851	41,955	52,322
H-piling works	12,720	3,083	14,640	—	3,978
Predrilling and testing works	52,208	60,383	84,919	34,440	35,514
Bored pile works	38,656	53,320	52,974	17,693	14,745
Others	48,598	48,514	95,287	22,798	43,621
	<u>221,154</u>	<u>310,442</u>	<u>382,671</u>	<u>116,886</u>	<u>150,180</u>

The following table illustrates the sensitivity analysis of the estimated impact on our net profit in relation to general percentage changes to the prices of subcontracting charges with reference to the range of fluctuation in terms of staff costs during the Track Record Period, with all other variables being constant.

	Increase/(decrease) in net profit				
	for the year ended 31 December			for the four months ended 30 April	
	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>
Subcontracting charges increase/decrease by:					
+ 20%	44,231	62,088	76,534	23,377	30,036
+ 8%	17,692	24,835	30,614	9,351	12,014
- 8%	(17,692)	(24,835)	(30,614)	(9,351)	(12,014)
- 20%	(44,231)	(62,088)	(76,534)	(23,377)	(30,036)

Note: Due to the range and mix of subcontracted services provided to our Group during the Track Record Period, the historical fluctuation of subcontracting charges is not an appropriate reference for sensitivity analysis. As such, the sensitivity analysis of subcontracting charges is based on the historical fluctuations of staff costs.

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Staff costs

Staff costs are primarily related to the number of direct workers of our Group and their corresponding salaries at the prevailing market rate.

The following table illustrates the sensitivity analysis of the estimated impact on our net profit in relation to general percentage changes to the staff costs with reference to the range of fluctuation in terms of major cost component below during the Track Record Period, with all other variables being constant.

	Increase/(decrease) in net profit				
	for the year ended 31 December			for the four months ended 30 April	
	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>
Staff costs increase/decrease by:					
+ 20%	22,570	26,097	35,548	20,928	16,716
+ 8%	9,028	10,439	14,219	8,371	6,686
- 8%	(9,028)	(10,439)	(14,219)	(8,371)	(6,686)
- 20%	(22,570)	(26,097)	(35,548)	(20,928)	(16,716)

Other income and gains

Other income and gains mainly include rental income from leasing of machinery, interest income from bank deposits, interest income on the fund advanced to the Remaining Group and gain on disposal of fixed assets. For details on the interest income received from the Remaining Group, please refer to paragraph headed “Related Party Transactions” in this section.

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Administrative expenses

Administrative expenses consist primarily of staff costs, directors' emoluments, depreciation expenses, repair and maintenance, operating lease rental on machinery, rent and rates on premises, insurance, motor vehicle and travelling expenses, legal and professional fee and others. The following table sets out administrative expenses by nature during the Track Record Period:

	Year ended 31 December			Four months ended 30 April	
	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>
				<i>(unaudited)</i>	
Staff costs, excluding directors' emoluments	42,326	51,053	56,497	17,992	20,221
Directors' emoluments	5,517	6,469	9,173	3,724	6,927
Depreciation expenses	21,510	27,488	35,307	10,963	14,504
Repair and maintenance	15,505	15,996	18,453	5,077	8,465
Operating lease rental on machinery	12,615	8,578	13,058	909	1,898
Minimum lease payments under operating leases in respect of land and buildings	1,716	2,729	2,991	1,738	1,660
Insurance	2,218	1,712	2,682	422	481
Motor vehicle and travelling expenses	2,482	2,872	3,465	1,142	1,064
Legal and professional fee	402	216	1,964	4	1,653
Others	19,280	17,651	22,940	5,502	6,050
	<u>123,571</u>	<u>134,764</u>	<u>166,530</u>	<u>47,473</u>	<u>62,923</u>

Staff costs represent (i) salaries, wages and other benefits; and (ii) contributions to defined contribution retirement plan provided to our senior management and administrative staff. Directors' emoluments represent (i) salaries, allowances and performance related bonus; and (ii) pension scheme contributions provided to our Directors. The directors' emoluments include the reimbursement of staff costs of Mr. Yu, being the managing director of the Group, to the Remaining Group. Depreciation expenses represents depreciation for leasehold improvement, machinery, furniture and fixtures and motor vehicles, which are incurred for our operation and administrative purposes. As further detailed in the paragraph headed "Business — Machinery and Equipment" in this prospectus, it is not feasible and not practical for our Group to quantify the machinery utilisation rate due to numerous number and types of our machinery, equipment and tools and the impracticality to keep track of their respective daily/hourly usage and idle time as machinery may from time to time be left unused in a site depending on the construction stages and may sometimes be left idle for repair and maintenance. In addition, some of our machinery for piling construction works may be leased to other third party foundation contractors when we consider appropriate. Due to such reasons, it is impractical for us to maintain a

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full record of the utilised, idle and leased-out time of each of our piling construction machinery, and there has not been a fair and reasonable basis for the corresponding depreciation charges being allocated to our piling construction and other ancillary services projects. Thus, the whole depreciation charges of our machinery for piling construction and ancillary works were classified as administrative expenses consistently during the Track Record Period and such accounting treatment complies with general accepted accounting principles. Repair and maintenance represents the expense incurred for regular maintenance of the Group's machinery in good condition. Operating lease rental on machinery represents rental expenses for machinery leased for our piling construction projects. Minimum lease payments under operating leases in respect of land and buildings represents rental expenses for office premises and warehouse rented by our Group during the Track Record Period. Legal and professional fees mainly represent legal advisory fees and other professional fees in relations to the preparation of the Global Offering. Other administrative expenses mainly represent loose tools and consumables, fuel and lubricants, audit fees and other utilities.

Finance costs

Finance costs represent interest expenses on bank loans, overdrafts and finance lease liabilities as set out below.

	Year ended 31 December			Four months ended 30 April	
	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>
				<i>(unaudited)</i>	
Interest on bank overdrafts and other borrowings	188	98	75	14	—
Finance charges on obligations under finance leases	<u>1,031</u>	<u>500</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>1,219</u>	<u>598</u>	<u>75</u>	<u>14</u>	<u>—</u>

Finance costs represent interest expenses on bank loans, overdrafts and finance lease during the Track Record Period. Our Group purchased machines from suppliers and entered into finance leasing arrangement with financial institutions with lease terms of four to five years. Interest on finance leases ranged from 3.25% to 4.25% per annum.

Income tax expense

Our Group is subject to income tax on an individual legal entity basis on profits arising in or derived from the tax jurisdictions in which companies comprising our Group domicile or operate.

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Bermuda

Pursuant to the applicable laws, rules and regulations of Bermuda, our Group is not subject to Bermuda income tax.

The BVI

Pursuant to the applicable laws, rules and regulations of the BVI, our Group is not subject to any profits tax in the BVI.

Hong Kong

Our Hong Kong subsidiaries were subject to Hong Kong profit tax at 16.5% during the Track Record Period.

Macau

All our Macau's operations were subject to Macau complementary income tax up to the maximum of 12% during the Track Record Period.

The effective tax rates of our Group for the three years ended 31 December 2014 and the four months ended 30 April 2015 were approximately 21.4%, 11.6%, 14.7% and 16.5% respectively.

During the Track Record Period and up to 31 August 2015, we had fulfilled all our income tax obligations and have not had any unresolved income tax issues or disputes with the relevant tax authorities.

DISCUSSION OF RESULTS OF OPERATIONS

Four months ended 30 April 2015 compared to four months ended 30 April 2014

Revenue

Our Group's revenue increased by approximately HK\$118.3 million, or 24.6%, from approximately HK\$481.5 million for the four months ended 30 April 2014 to approximately HK\$599.8 million for the four months ended 30 April 2015. Such increase was mainly due to our efforts in pursuing projects of relatively larger scale in terms of contract sum, which is in line with our business strategy.

Cost of sales

Our Group's cost of sales increased by approximately HK\$60.9 million, or 15.0%, from approximately HK\$406.6 million for the four months ended 30 April 2014 to approximately HK\$467.5 million for the four months ended 30 April 2015, primarily due to the increase in number and scale of projects we undertook which led to the increase in construction material costs and subcontracting charges, partially offset by the decrease in staff cost.

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Construction material costs increased by approximately HK\$43.9 million, or 34.7%, from approximately HK\$126.7 million for the four months ended 30 April 2014 to approximately HK\$170.6 million for the four months ended 30 April 2015. Such significant increase in construction material costs was mainly due to the higher consumption of steel reinforcement bar and concrete towards the core stage of several sizable construction projects during the period.

Subcontracting charges increased by approximately HK\$33.3 million, or 28.5%, from approximately HK\$116.9 million for the four months ended 30 April 2014 to approximately HK\$150.2 million for the four months ended 30 April 2015. Such significant increase in subcontracting charges was mainly due to certain sizable projects have approached the core stage of construction, for which we have outsourced part of our construction work after taking into account the availability of our labour and machinery resources. These projects required more subcontracting works of pile cap and lateral support works during that period. As the scope of works and contract requirements of individual projects vary on a case-by-case basis, the extent of our subcontracting works will vary accordingly. As such, the subcontracting charges fluctuated from year to year.

Staff costs decreased by approximately HK\$21.1 million, or 20.1%, from approximately HK\$104.6 million for the four months ended 30 April 2014 to approximately HK\$83.6 million for the four months ended 30 April 2015 which was primarily due to higher staff cost incurred in a piling construction project in Macau during the period ended 30 April 2014, as our Group paid additional allowance to our worker for this project.

Gross profit and gross profit margin

Our Group's total gross profit increased by around HK\$57.4 million, from approximately HK\$74.9 million for the four months ended 30 April 2014 to approximately HK\$132.3 million for the period ended 30 April 2015. Such increase was in line with the growth of our revenue benefited from the increase in number and size of certain private projects including project number of "Ongoing P-2" and "P-12" with relatively higher gross profit margin undertaken, leading to an increase of gross profit margin from approximately 15.6% for the four months ended 30 April 2014 to approximately 22.1% for the four months ended 30 April 2015.

Other income and gains

Our Group's other income and gains decreased by approximately HK\$0.3 million, or 70.3% from HK\$0.4 million for the four months ended 30 April 2014 to HK\$0.1 million for the four months ended 30 April 2015, which was mainly due to the absence of interest income from the Remaining Group, and rental income from leasing of machinery primarily due to higher utilization of our own machinery during the four months ended 30 April 2015.

Administrative expenses

Our Group's administrative expenses increased by approximately HK\$15.4 million, or 32.5%, from approximately HK\$47.5 million for the four months ended 30 April 2014 to approximately HK\$62.9 million for the four months ended 30 April 2015. Such increase was mainly due to (i) the increase in staff costs and directors' emoluments of approximately HK\$5.4 million as a result of salary

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increment of existing administrative staff and directors; (ii) the increase in depreciation expenses and related repair and maintenance costs of approximately HK\$3.5 million and HK\$3.4 million, respectively, resulted from the additions of machinery and other fixed assets, including excavators and hydraulic rock breakers, amounting to approximately HK\$52.3 million during the four months ended 30 April 2015; (iii) the increase in operating lease rental on machinery for the four months ended 30 April 2015 by approximately HK\$1.0 million to cope with our business growth for several sizable projects we undertook during the period; and (iv) the increase in legal and professional fee in connection with the Global Offering, by approximately HK\$1.7 million.

Finance costs

No finance costs was incurred for the period ended 30 April 2015 as the remaining bank borrowings have been settled in full during the year ended 31 December 2014.

Profit for the period

As aforesaid, particularly in light of the increase in revenue, our Group's profit for the four months ended 30 April 2015 was approximately HK\$58.1 million, indicating a growth of approximately HK\$35.1 million, or 152.3%, on a period-on-period basis.

Year ended 31 December 2014 compared with year ended 31 December 2013

Revenue

Our Group's revenue increased by approximately HK\$203.2 million, or 17.2%, from approximately HK\$1,178.3 million for the year ended 31 December 2013 to approximately HK\$1,381.5 million for the year ended 31 December 2014. Such increase was mainly due to our efforts in pursuing projects of relatively larger scale in terms of contract sum, which is in line with our business strategy. For the year ended 31 December 2014, there were 4 projects with revenue contribution of more than HK\$100.0 million, as compared to 2 projects for the year ended 31 December 2013.

Cost of sales

Our Group's cost of sales increased by approximately HK\$120.8 million, or 12.3%, from approximately HK\$982.7 million for the year ended 31 December 2013 to approximately HK\$1,103.4 million for the year ended 31 December 2014, primarily due to the increase in subcontracting charges and staff cost, partially offset by the decrease in construction material costs.

Subcontracting charges increased by approximately HK\$72.2 million, or 23.3%, from approximately HK\$310.4 million for the year ended 31 December 2013 to approximately HK\$382.7 million for the year ended 31 December 2014. Such significant increase in subcontracting charges was mainly due to the increase in number of construction projects which we have outsourced part of our construction work after taking into account the availability of our labour and machinery resources.

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These projects required more subcontracting works, such as predrilling and testing works, site formation works, and reinforcement bar fixing works. As the different scope of works and contract requirements of individual projects vary on a case-by-case basis, the extent of our subcontracting works will vary accordingly. As such, the subcontracting charges fluctuated from year to year.

Our staff costs increased by approximately 36.2% from approximately HK\$130.5 million for the year ended 31 December 2013 to approximately HK\$177.7 million for the year ended 31 December 2014 due to the increase in the number of direct workers to cope with our business growth as well as the salary increment for existing staff in both Hong Kong and Macau projects.

The decrease in the construction material costs of approximately HK\$16.4 million, or 4.0%, from approximately HK\$406.9 million for the year ended 31 December 2013 to approximately HK\$390.6 million for the year ended 31 December 2014 was mainly due to the drop in average cost of steel which is our major construction material, partially offset by increased consumption of construction material to cope with our business growth during the year ended 31 December 2014.

Gross profit and gross profit margin

Our Group's total gross profit increased by around HK\$82.4 million, from approximately HK\$195.6 million for the year ended 31 December 2013 to approximately HK\$278.1 million for the year ended 31 December 2014. Apart from the increased gross profit, the increase of gross profit margin from approximately 16.6% for the year ended 31 December 2013 to approximately 20.1% for the year ended 31 December 2014 was primarily because we undertook several sizable private projects including project number of "P1", "P5" and "P4" with relatively higher gross profit margin due to higher complexity of those projects we undertook for the year ended 31 December 2014.

Other income and gains

Other income and gains decreased by approximately HK\$2.2 million from approximately HK\$6.3 million for the year end 31 December 2013 to HK\$4.1 million for year end 31 December 2014, primarily due to (i) the decrease in gain on disposal of HK\$2.3 million resulting from the reduced disposal of machinery during 2014; and (ii) the decrease in rental income from leasing of machinery of HK\$1.5 million resulting from higher utilisation of the Group's machinery during 2014, partially offset by the increase in interest income from bank deposits and fund advances to the Remaining Group with an aggregate amount of HK\$1.6 million.

Administrative expenses

Our Group's administrative expenses increased by approximately HK\$31.8 million, or 23.6%, from approximately HK\$134.8 million for the year ended 31 December 2013 to approximately HK\$166.5 million for the year ended 31 December 2014. Such increase was mainly due to (i) the increase in staff costs and directors' emoluments of approximately HK\$8.1 million as a result of salary increment of existing administrative staff and directors; (ii) the increase in depreciation expenses and related repair and maintenance costs of approximately HK\$7.8 million and HK\$2.5 million, respectively, resulted from the additions of machinery and other fixed assets, including excavators and hydraulic rock breakers, amounting to approximately HK\$75.7 million during the year ended 31

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December 2014; (iii) the increase in operating lease rental on machinery for the year ended 31 December 2014 by approximately HK\$4.5 million to cope with our business growth for several sizable projects we undertook during the year ended 31 December 2014; and (iv) the increase in legal and professional fee and other expenses, contributed by the professional fees in connection with the Global Offering by approximately HK\$1.8 million; and the increase in loose tools and consumables included in other expenses by approximately HK\$4.0 million during the year ended 31 December 2014.

Finance costs

Finance costs decreased from approximately HK\$0.6 million for the year ended 31 December 2013 to approximately HK\$0.1 million for the year ended 31 December 2014 primarily due to the early settlement of obligations under finance lease in full during the year ended 31 December 2013.

Income tax

The effective tax rates for the two years ended 31 December 2013 and 2014 were approximately 11.6% and 14.7% respectively. The increase of effective tax rate for the year ended 31 December 2014 was primarily due to the deferred tax assets not recognized, which was caused by the temporary timing differences between the fully taxable leasing profit and the partially recognized leasing expenses in the previous financial years, in relation to the intra-group leasing of machinery by Kin Wing Machinery to Kin Wing Engineering and Kin Wing Foundations. Deferred tax assets were not recognized for projects with estimated losses at the end of the reporting period. Such increase was partially offset by the profit from the project performed in Macau which was subject to lower statutory complementary income tax rate of 12.0%. The temporary differences have been included in the item “temporary differences not recognized” in note 10 to the Accountants’ Report set out in Appendix I to this prospectus.

Profit for the year

As aforesaid, particularly in light of the increase in revenue, our Group’s profit for the year ended 31 December 2014 was approximately HK\$98.6 million, indicating a growth of approximately HK\$39.8 million, or 67.6%, on a year-on-year basis.

Year ended 31 December 2013 compared with year ended 31 December 2012

Revenue

Our Group’s revenue increased by approximately HK\$129.6 million, or 12.4%, from approximately HK\$1,048.7 million for the year ended 31 December 2012 to approximately HK\$1,178.3 million for the year ended 31 December 2013. Such increase was primarily due to our efforts in pursuing projects of relatively larger scale in terms of contract sum. For the year ended 31 December 2013, the Group secured 20 projects from piling construction and other ancillary services with revenue contribution of more than HK\$10.0 million, as compared to 18 projects for the year ended 31 December 2012.

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Cost of sales

Our Group's cost of sales increased by approximately HK\$98.0 million, or 11.1%, from approximately HK\$884.7 million for the year ended 31 December 2012 to approximately HK\$982.7 million for the year ended 31 December 2013, primarily due to the increase in scale of projects we undertook which led to the increase in subcontracting charges and staff cost, partially offset by the decrease in construction material costs.

Subcontracting charges increased by approximately HK\$89.3 million, or 40.4%, from approximately HK\$221.1 million for the year ended 31 December 2012 to approximately HK\$310.4 million for the year ended 31 December 2013. Such significant increase in subcontracting charges was mainly due to the increase in the number of sizable construction projects. These projects require more subcontracting works, such as pile cap and lateral support works, predrilling and testing works and bored pile works. As the scope of works and contract requirements of individual projects vary on a case-by-case basis, the extent of our subcontracting works will vary accordingly. As such, the subcontracting charges fluctuated from year to year.

Our staff costs increased by approximately 15.6% from approximately HK\$112.8 million for the year ended 31 December 2012 to approximately HK\$130.5 million for the year ended 31 December 2013 mainly due to the increase in the number of direct workers to cope with our business growth as well as the salary increment for existing staff.

The decrease in the construction material costs of approximately HK\$14.1 million, or 3.4%, from approximately HK\$421.1 million for the year ended 31 December 2012 to approximately HK\$406.9 million for the year ended 31 December 2013 was mainly benefited from a continuous drop in average costs of steel which is our major construction material, partially offset by increasing consumption of construction material to cope with our business growth during the year ended 31 December 2013.

Gross profit and gross profit margin

Our Group's total gross profit increased by around HK\$31.6 million, from approximately HK\$164.0 million for the year ended 31 December 2012 to approximately HK\$195.6 million for the year ended 31 December 2013. Such increase was in line with the growth of our revenue. In addition, the gross profit margin slightly increased from approximately 15.6% for the year ended 31 December 2012 to approximately 16.6% for the year ended 31 December 2013 as a result of the increase in size of certain private projects including project number of "Ongoing P-3" and "P-8" with higher gross profit margin we undertook.

Other income and gains

Other income and gains increased by approximately HK\$3.0 million from approximately HK\$3.3 million for the year end 31 December 2012 to approximately HK\$6.3 million for year end 31 December 2013, primarily due to the gain on disposal of fixed assets, of approximately HK\$2.7 million recognised for the year ended 31 December 2013.

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Administrative expenses

Our Group's administrative expenses increased by approximately HK\$11.2 million, or 9.1%, from approximately HK\$123.6 million for the year ended 31 December 2012 to approximately HK\$134.8 million for the year ended 31 December 2013. Such increase was mainly due to the increase in staff costs and directors' emoluments of approximately HK\$9.7 million as a result of salary increment of existing administrative staff and directors, and the increase in depreciation expenses of approximately HK\$6.0 million, partially offset by the decrease in operating lease rental on machinery of approximately HK\$4.0 million as a result of higher utilisation of our own machinery for the year ended 31 December 2013.

Finance costs

Finance costs decreased from approximately HK\$1.2 million for the year ended 31 December 2012 to approximately HK\$0.6 million for the year ended 31 December 2013 was due to the early settlement of obligations under finance lease in full during the year ended 31 December 2013.

Income tax

The effective tax rates for the two years ended 31 December 2012 and 2013 were approximately 21.4% and 11.6% respectively. The decrease of effective tax rate for the year ended 31 December 2013 was primarily due to the utilization of certain unrecognized deferred tax assets in previous financial years, which was caused by the temporary timing differences between the fully taxable leasing profit and the partially recognized leasing expenses, in relation to the intra-group leasing of machinery by Kin Wing Machinery to Kin Wing Engineering and Kin Wing Foundations. Such temporary differences have been included in the item "temporary differences not recognized" in note 10 to the Accountants' Report set out in Appendix I to this prospectus.

Profit for the year

As aforesaid, particularly in light of the increase in revenue, our Group's profit for the year ended 31 December 2013 was approximately HK\$58.8 million, indicating a growth of approximately HK\$25.4 million, or 76.2%, on a year-on-year basis.

LIQUIDITY AND CAPITAL RESOURCES

Our Group had historically met our funding and capital requirements principally through a combination of cash generated from our operating activities, bank borrowings and finance leases during the Track Record Period. We manage the liquidity position primarily by monitoring the maturities of our assets and liabilities in an effort to ensure that we have sufficient funds to meet payment obligations when they fall due, and management meetings will be held to review the cash flow of our operation. Our primary liquidity requirements are to finance our working capital, fund the payment of interest and principal due on our indebtedness and fund our capital expenditures and growth of our operations. We expect these sources will continue to be our principal sources of cash flow, and we may use a portion of the proceeds from the Global Offering to finance a portion of our liquidity requirements.

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As at 31 August 2015, we had committed and jointly used banking facilities with the Remaining Group of approximately HK\$891.0 million which bore interest rate at Hong Kong Interbank rate plus 1.75% to Hong Kong Best Lending rate plus 1% per annum, and we had cash and cash equivalents of approximately HK\$332.7 million.

Cash Flows

The following table sets forth the cash flows for the periods indicated:

	Year ended 31 December			Four months ended 30 April	
	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>
				<i>(unaudited)</i>	
Cash and cash equivalents at the beginning of the year/period	<u>33,152</u>	<u>63,865</u>	<u>136,648</u>	<u>136,648</u>	<u>155,254</u>
Net cash flows generated from operating activities	133,398	197,331	198,825	78,575	108,650
Net cash flows used in investing activities	(58,929)	(79,372)	(77,244)	(18,277)	(54,052)
Net cash flows used in financing activities	<u>(43,756)</u>	<u>(45,176)</u>	<u>(102,975)</u>	<u>(614)</u>	<u>—</u>
Net increase in cash and cash equivalents	<u>30,713</u>	<u>72,783</u>	<u>18,606</u>	<u>59,684</u>	<u>54,598</u>
Cash and cash equivalents at the end of the year/period	<u>63,865</u>	<u>136,648</u>	<u>155,254</u>	<u>196,332</u>	<u>209,852</u>

Cash flows from operating activities

Our operating cash inflows are primarily derived from our revenue from the provision of wide range of foundation works and rental income from the lease of machinery, whereas our operating cash outflows mainly comprise of payment for purchase of construction materials, subcontracting charges, staff costs, as well as other working capital needs.

Our net cash flow generated from operating activities primarily reflects our profit before income tax, as adjusted for non-cash flow and non-operating items, such as depreciation expenses, gain or loss on disposal of fixed assets, interest income and expenses, and the effects of changes in working capital such as increase or decrease in trade and other receivables, trade and other payables and balances with the Remaining Group.

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Cash flows from operating activities can be significantly affected by factors such as the progress of foundation works, the timing of collection of trade receivables from customers and the timing of payment of trade and other payables to suppliers and subcontractors during our ordinary course of business, which also primarily accounted for the difference in the net cash generated from operating activities among the years during the Track Record Period.

For the four months ended 30 April 2015, we had net cash generated from operating activities of approximately HK\$108.7 million, primarily as a result of profit before taxation of approximately HK\$69.5 million, which was primarily adjusted for (i) depreciation of approximately HK\$14.5 million; and (ii) increase in net amount due to contract customers of approximately HK\$102.1 million mainly due to the increase in accrued contract cost as a result of the increase in size of ongoing projects and provision for contingency cost of ongoing projects; partially offset by (i) increase in trade receivables of approximately HK\$57.9 million mainly due to increased revenue recognised as a result of our business growth; (ii) decrease in other payables and accruals of approximately HK\$13.4 million mainly due to the settlement of accrued salaries and bonus as at 31 December 2014; and (iii) increase in retention monies receivables of approximately HK\$11.6 million mainly due to the increase in size of ongoing project as a result of our business growth.

For the year ended 31 December 2014, we had net cash generated from operating activities of approximately HK\$198.8 million, primarily as a result of profit before taxation of approximately HK\$115.5 million, which was primarily adjusted for (i) depreciation of approximately HK\$35.3 million; (ii) increase in net amount due to contract customers of approximately HK\$166.2 million mainly due to the increase in accrued contract cost as a result of the increase in size of ongoing projects and provision for contingency cost of ongoing projects; and (iii) increase in other payables and accruals of approximately HK\$9.3 million mainly due to the increase in provision for bonus for the year and the increase in legal and professional fees in connection with the Listing; partially offset by (i) increase in retention monies receivables of approximately HK\$58.6 million mainly due to the increase in size of going project as a result of our business growth; (ii) increase in trade receivables of approximately HK\$50.6 million mainly due to increased revenue recognised as a result of our business growth; and (iii) net settlement to the Remaining Group of approximately HK\$20.8 million as a result of intra-group treasury activities of CAG.

For the year ended 31 December 2013, we had net cash generated from operating activities of approximately HK\$197.3 million, primarily as a result of profit before taxation of approximately HK\$66.5 million, which was primarily adjusted for (i) depreciation of approximately HK\$27.5 million; (ii) increase in net amount due to contract customers of approximately HK\$134.4 million mainly due to the increase in accrued contract cost as a result of the increase in size of ongoing projects and provision for contingency cost of ongoing projects; (iii) increase in trade payables of approximately HK\$18.9 million mainly due to the increased purchase close to the year end as a result of business growth; (iv) settlement from the Remaining Group and advances from the Remaining Group of approximately HK\$15.9 million as a result of intra-group treasury activities of CAG; and (v) increase in other payables and accruals of approximately HK\$10.7 million mainly due to the increase in provision for bonus for the year; partially offset by (i) increase in trade receivables of approximately HK\$37.2 million mainly due to increased revenue recognised as a result of our business growth; and (ii) increase in retention monies receivables of approximately HK\$25.1 million mainly due to the increase in size of ongoing project as a result of our business growth.

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For the year ended 31 December 2012, we had net cash generated from operating activities of approximately HK\$133.4 million, primarily as a result of profit before taxation of approximately HK\$42.4 million, which was primarily adjusted for (i) depreciation of approximately HK\$21.5 million; (ii) increase in net amount due to contract customers of approximately HK\$47.2 million mainly due to the increase in accrued contract cost as a result of the increase in size of ongoing projects and provision for contingency cost of ongoing projects; (iii) net settlement from the Remaining Group of approximately HK\$16.2 million as a result of intra-group treasury activities of CAG; and (iv) decrease in trade receivables of approximately HK\$9.0 million mainly due to settlement of receivables from customers close to year end; partially offset by (i) increase in retention monies receivables of approximately HK\$24.7 million mainly due to the increase in size of ongoing project as a result of our business growth.

Cash flows from investing activities

Our cash inflows from investing activities primarily include cash proceeds from disposal of fixed assets, whereas our cash outflows from investing activities primarily include cash used in the purchase of fixed assets.

For the four months ended 30 April 2015, we recorded net cash used in investing activities of approximately HK\$54.1 million, which was primarily attributable to cash used in our purchase of machinery, leasehold improvement and other fixed assets of approximately HK\$52.3 million and increase in pledged deposits of approximately HK\$1.7 million.

For the year ended 31 December 2014, we recorded net cash used in investing activities of approximately HK\$77.2 million, which was primarily attributable to cash used in our purchase of machinery, leasehold improvement and other fixed assets of approximately HK\$75.7 million and increase in pledged deposits of approximately HK\$5.0 million, partially offset by the proceeds from disposal of fixed assets of approximately HK\$0.8 million, and the interest received of approximately HK\$2.6 million.

For the year ended 31 December 2013, we recorded net cash used in investing activities of approximately HK\$79.4 million, which was primarily attributable to cash used in our purchase of machinery, leasehold improvement and other fixed assets of approximately HK\$96.7 million, partially offset by net settlement from the Remaining Group of approximately HK\$6 million, decrease in pledged deposits of approximately HK\$2.1 million, the proceeds from disposal of fixed assets of approximately HK\$8.2 million, and the interest received of approximately HK\$1.0 million.

For the year ended 31 December 2012, we recorded net cash used in investing activities of approximately HK\$58.9 million, which was primarily attributable to cash used in our purchase of machinery, leasehold improvement and other fixed assets of approximately HK\$50.9 million, net fund advance to the Remaining Group of approximately HK\$6 million, and increase in pledged deposits of approximately HK\$2.2 million, partially offset by the interest received of approximately HK\$0.2 million.

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Cash flows from financing activities

Our cash outflows from financing activities primarily include repayment of bank loans and obligations under finance leases, interest payment, and dividend payment.

For the four months ended 30 April 2015, we had no cash change in financing activities, which was mainly attributable to settlement in full of bank loans for the year ended 31 December 2014.

For the year ended 31 December 2014, we had net cash used in financing activities of approximately HK\$103.0 million, which was mainly attributable to repayment of bank loans of approximately HK\$2.4 million, interest payment of approximately HK\$0.1 million, and dividend payment of approximately HK\$100.5 million.

For the year ended 31 December 2013, we had net cash used in financing activities of approximately HK\$45.2 million, which was mainly attributable to repayment of bank loans of approximately HK\$2.4 million, repayment of obligations under finance leases of approximately HK\$21.2 million, interest payment of approximately HK\$0.6 million, and dividend payment of approximately HK\$21.0 million.

For the year ended 31 December 2012, we had net cash used in financing activities of approximately HK\$43.8 million, which was mainly attributable to repayment of bank loans of approximately HK\$3.3 million, repayment of obligations under finance leases of approximately HK\$9.8 million, interest payment of approximately HK\$1.2 million, and dividend payment of approximately HK\$29.5 million.

CAPITAL EXPENDITURES

The following table sets out our Group's capital expenditure for the periods indicated. Our capital expenditures were financed by finance leases and funded by cash generated from operations.

	Year ended 31 December			Four months ended 30 April
	2012	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Leasehold improvements	260	778	—	128
Machinery	50,073	93,514	71,573	51,904
Motor vehicles	408	1,478	4,115	315
Furniture, fixtures and equipment	224	894	—	—
	<u>50,965</u>	<u>96,664</u>	<u>75,688</u>	<u>52,347</u>

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Our Group's capital expenditure primarily consists of purchases of machinery. Proper investment in machinery is crucial to our core business and operations as it has direct impact on our flexibility without struggling with the availability of required machinery and the fluctuation of machinery rental. It is expected that the amount of capital expenditure to be incurred for the year ending 31 December 2015 is approximately HK\$154.5 million. Our Group plans to finance future capital expenditures primarily through the net proceeds of the Global Offering and cash flows generated from operations. We intend to use approximately HK\$111.5 million of our net proceeds to acquire additional machinery in the next 2 years to cope with our business growth in our foundation and substructure construction business. For details, please refer to the section headed "Future Plans and Proposed Use of Proceeds" in this prospectus. As our Group continues to expand, we may incur additional capital expenditures.

WORKING CAPITAL

Our Directors are of the opinion that, taking into consideration the internal resources, the unutilised banking facilities presently available to our Group and the estimated net proceeds of the Global Offering, we have sufficient working capital for our present requirements for at least the next 12 months commencing on the date of this prospectus.

NET CURRENT ASSETS/(LIABILITIES)

The following table sets forth the breakdown of our Group's current liabilities and current assets as at each reporting date:

	As at 31 December			As at 30 April	As at 31 August
	2012	2013	2014	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current assets					<i>(unaudited)</i>
Inventories	2,199	3,586	3,103	2,391	3,420
Gross amount due from contract customers	58,912	79,059	43,067	34,190	36,545
Trade and other receivables	194,039	259,666	372,706	444,365	375,365
Due from the Remaining Group	39,668	22,606	21,962	21,962	21,940
Tax recoverable	1,257	7,048	—	—	—
Pledged deposits	8,834	6,751	11,755	13,488	13,488
Cash and cash equivalents	<u>63,865</u>	<u>136,648</u>	<u>155,254</u>	<u>209,852</u>	<u>332,666</u>
	<u>368,774</u>	<u>515,364</u>	<u>607,847</u>	<u>726,248</u>	<u>783,424</u>

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	As at 31 December			As at 30 April	As at 31 August
	2012	2013	2014	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					<i>(unaudited)</i>
Current liabilities					
Gross amount due to contract customers	136,775	290,505	420,221	513,269	552,215
Trade and other payables	144,403	178,932	192,214	185,536	159,110
Due to the Remaining Group	16,709	21,519	96	—	473
Tax payable	4,950	785	9,579	19,975	27,657
Obligations under finance leases	13,410	—	—	—	—
Interest-bearing bank borrowings	4,800	2,400	—	—	—
	<u>321,047</u>	<u>494,141</u>	<u>622,110</u>	<u>718,780</u>	<u>739,455</u>
Net current assets/(liabilities)	<u>47,727</u>	<u>21,223</u>	<u>(14,263)</u>	<u>7,468</u>	<u>43,969</u>

As at 31 December 2012, we recorded net current assets of approximately HK\$47.7 million. The key components of our current assets as at 31 December 2012 included trade and other receivables of approximately HK\$194.0 million, cash and cash equivalents including pledged deposits of approximately HK\$72.7 million, gross amounts due from contract customers of approximately HK\$58.9 million and amounts due from the Remaining Group of approximately HK\$39.7 million. The key components of our current liabilities included trade and other payables of approximately HK\$144.4 million, gross amounts due to contract customers of approximately HK\$136.8 million, bank loans and obligations under finance leases of approximately HK\$18.2 million, amounts due to the Remaining Group of approximately HK\$16.7 million and tax payable of approximately HK\$5.0 million.

As at 31 December 2013, we recorded net current assets of approximately HK\$21.2 million, which decreased by approximately HK\$26.5 million or 55.5% from approximately HK\$47.7 million as at 31 December 2012, primarily attributable to the dividend payment of approximately HK\$21.0 million during the year.

As at 31 December 2014, we recorded net current liabilities of approximately HK\$14.3 million, which changed from net current assets of approximately HK\$21.2 million as at 31 December 2013, primarily attributable to the dividend payment of approximately HK\$100.5 million and capital expenditure of HK\$75.7 million, partially offset by the profit for the year ended 31 December 2014 (before deducting the depreciation charge of approximately HK\$35.3 million) of approximately HK\$133.9 million.

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As at 30 April 2015, we recorded net current assets of approximately HK\$7.5 million, which changed from net current liabilities of approximately HK\$14.3 million as at 31 December 2014, primarily attributable to the profit for the four months ended 30 April 2015 (before deducting the depreciation charge of approximately HK\$14.5 million) of approximately HK\$72.6 million, partially offset by the capital expenditure of HK\$52.3 million.

As at 31 August 2015, we recorded net current assets of approximately HK\$44.0 million, which increased by approximately HK\$36.5 million or 488.8% from approximately HK\$7.5 million as at 30 April 2015, primarily attributable to the profit for the four months period from 1 May 2015 to 31 August 2015, partially offset by the further capital expenditure for the four months period. Prior to Listing, our Group declared special dividends of approximately HK\$232.0 million to the Remaining Group of which approximately HK\$210.0 million will be settled by internal resources of our Group before Listing. The declaration of such special dividends will lead to a net current liability position based on the net current assets of approximately HK\$44.0 million as at 31 August 2015. For further details, please refer to the section headed and “Financial Information — Dividends” in this prospectus.

We believe that we maintain sufficient liquidity and expect our liquidity position to improve after considering that (i) our Group expects to continue to generate stable positive cash flows from our operating activities which would further support our liquidity position; (ii) our Group expects to receive net proceeds of approximately HK\$185.8 million (assuming an Offer Price of HK\$0.58 per Offer Share, being the mid point of the indicative Offer Price range) from the Global Offering, of which approximately HK\$18.6 million is reserved for general working capital; and (iii) as at the Latest Practicable Date, our Group had obtained independent banking facilities of an aggregate amount of approximately HK\$558.0 million which comprised approximately HK\$400.0 million for issuance of surety bonds and approximately HK\$158.0 million for cash drawdown or trade financing. The relevant banking facilities for cash drawdown or trade financing could be used for enhancing our liquidity position and approximately HK\$115.8 million of which was unutilized as at the Latest Practicable Date.

ANALYSIS OF VARIOUS ITEMS FROM THE STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

Our Group’s fixed assets mainly consist of machinery. Our foundation works require the use of machinery, such as excavators, crawler cranes, hydraulic rock breakers and hydraulic crawler drillers. The carrying amount of our Group’s machinery increased from approximately HK\$164.5 million as at 31 December 2012 to approximately HK\$225.6 million as at 31 December 2013 and further increased to approximately HK\$262.8 million as at 31 December 2014. The carrying amount of our Group’s plant and machinery was HK\$300.5 million as at 30 April 2015 which reflected the stable increment in investment of machinery. Our Group invested continuously in machinery during the Track Record Period. For the three years ended 31 December 2014 and four months ended 30 April 2015, our Group acquired additional machinery for approximately HK\$50.1 million, HK\$93.5 million, HK\$71.6 million and HK\$51.9 million, respectively.

FINANCIAL INFORMATION

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. The stage of completion is established by reference to construction works certified. Our Group normally submits payment applications to our customers on a monthly basis in accordance with the value of work which may include variation works and claims, if any, undertaken for foundation and site investigation field works.

Gross amounts due from contract customers represent the surplus of construction contracts at the end of the reporting period when the contract costs incurred to date plus recognised profits less recognised losses exceed progress billings. Such balance sheet item typically comprises of (i) completed projects or ongoing projects close to the end of each reporting period, for which the payment certificates have yet to be received by us from our customers; and (ii) the amount representing the contract costs incurred less the costs recognised in profit or loss with reference to the stage of completion of the projects at the end of each reporting period. The level of gross amounts due from customers for contract work as at a given reporting date is mainly affected by the duration between our submission of progress payment applications and receipt of progress certificates from our customers.

Gross amounts due to contract customers represent construction contracts in progress at the end of the reporting period and are incurred when the progress billings exceeds contract costs incurred to date plus recognised profit less recognised loss. The gross amounts due to customers consist of the (i) the amount representing the cost recognized in profit or loss with reference to the stage of completion of the projects at the end of each reporting period less the contract costs incurred and (ii) provision for contingency cost on ongoing projects based on the complexity and foreseeable delay of those projects. The following table sets out our Group's gross amounts due from/to customers for contract work as at each reporting date:

	As at 31 December			As at 30 April
	2012	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross amounts due from contract customers	58,912	79,059	43,067	34,190
Gross amounts due to contract customers	<u>(136,775)</u>	<u>(290,505)</u>	<u>(420,221)</u>	<u>(513,269)</u>
	<u>(77,863)</u>	<u>(211,446)</u>	<u>(377,154)</u>	<u>(479,079)</u>
Contract costs incurred plus recognised profits less recognised and foreseeable losses to date	3,953,566	4,878,054	6,093,835	6,591,735
Less: Progress billings	<u>(4,031,429)</u>	<u>(5,089,500)</u>	<u>(6,470,989)</u>	<u>(7,070,814)</u>
	<u>(77,863)</u>	<u>(211,446)</u>	<u>(377,154)</u>	<u>(479,079)</u>

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The gross amounts due from/to customers for contract work vary from period to period due to the impact from the difference in volume and value of construction works we performed close to the end of each reporting periods and timing when we received payment certificates from our customers. The continuously increase of the net balance of amounts due to customers for contract work was mainly due to (i) the increase in accrued contract cost as a result of the continuously increase in the size of ongoing projects during the Track Record Period and (ii) the increased provision for contingency cost on ongoing projects based on the complexity and foreseeable delay of those projects.

Trade and other receivables

Our Group's trade and other receivables mainly consist of trade receivables and retention monies receivables. After our customers issued the payment certificate, we will then issue an invoice to our customers. We give our customers credit terms ranging from 30 to 45 days. The retention money is retained by our customers at a rate up to 10% of each interim payment made to us and up to a maximum limit of 5% of the total contract sum for each project. The retention money will be withheld by our customers and 50% of which will be released to us on the issue of practicable completion certificate and the remaining 50% upon the issuance of the defect liability certificate. Please refer to the paragraph headed "Business — Operating Procedures" in this prospectus for details.

The following table sets out the breakdown of trade and other receivables as at each reporting date:

	As at 31 December			As at 30 April
	2012	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	101,420	138,648	189,213	247,084
Retention monies receivables	80,675	105,806	164,425	176,010
Prepayments, deposits and other receivables	<u>11,944</u>	<u>15,212</u>	<u>19,068</u>	<u>21,271</u>
	<u>194,039</u>	<u>259,666</u>	<u>372,706</u>	<u>444,365</u>

Trade receivables

Trade receivables increased significantly from approximately HK\$101.4 million as at 31 December 2012 to approximately HK\$138.6 million as at 31 December 2013 and further increased to HK\$189.2 million as at 31 December 2014, mainly due to the growth of our revenue for the two years ended 31 December 2013 and 2014. Trade receivables then further increased to approximately HK\$247.1 million which was benefited from the continuous improvement in revenue by 24.6% for the four months ended 30 April 2015, as compared with the same period in 2014.

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Our Directors determine specific provision for doubtful debts on a case-by-case basis having regard to a number of factors, including the ageing of the receivable balance, results of follow-up procedures, customers' credit history and customers' financial position. During the Track Record Period, we did not make any provision for doubtful debts and we did not experience any difficulty in settling our trade receivables which caused a significant adverse impact to our business operation. In the event that we notice any events or changes in circumstances which indicate the balances may not be collectible such as any financial or liquidity problem of the customers which may result in difficulty in settling the outstanding payments, relevant provision of impairment of trade receivables would be made.

Trade receivables are past due when our customers fail to make payment when due. We generally offer our customers a credit term ranging from 30 to 45 days from the date of billing. The following table sets forth the turnover days of trade receivables for the periods indicated:

	Year ended 31 December			Four months ended 30 April
	2012	2013	2014	2015
Trade receivables turnover days ^(Note)	<u>36.8 days</u>	<u>37.2 days</u>	<u>43.3 days</u>	<u>43.6 days</u>

Note: Trade receivables turnover days for the three years ended 31 December 2014 and the four months ended 30 April 2015 equal average trade receivables divided by revenue for the relevant period and multiplied by the number of days in the relevant period (i.e. 365 days for a full year and 120 days for the four months ended 30 April). Average trade receivables equal the average of trade receivables at the beginning and the end of period.

Our trade receivables turnover days remained stable at approximately 36.8 days for the year ended 31 December 2012 and approximately 37.2 days for the year ended 31 December 2013 respectively, and increased to approximately 43.3 days for the year ended 31 December 2014 and 43.6 days for the four months ended 30 April 2015, respectively, primarily due to the billing of certain projects with longer credit terms close to the year ended 31 December 2014 and the overdue of payment of certain projects as at 31 December 2014 and 30 April 2015. Our trade receivables turnover days during the Track Record Period were within our general credit term granted to customers.

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of one month. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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The following table illustrates the ageing analysis of the trade receivables based on invoice date as at each reporting date:

	As at 31 December			As at 30 April
	2012	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	88,557	92,236	117,602	142,787
31 to 60 days	8,439	28,790	32,787	48,342
61 to 90 days	173	16,620	38,552	45,316
Over 90 days	4,251	1,002	272	10,639
	101,420	138,648	189,213	247,084

The following table illustrates the ageing analysis of the trade receivables that are neither individually nor collectively considered to be impaired as at each reporting date:

	As at 31 December			As at 30 April
	2012	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Neither past due nor impaired	87,262	93,832	131,115	208,973
Less than 31 days past due	9,832	42,709	51,850	26,800
31 to 90 days past due	173	1,105	5,976	670
Past due over 90 days	4,153	1,002	272	10,641
	101,420	138,648	189,213	247,084

Trade receivables of approximately HK\$87.3 million, HK\$93.8 million, HK\$131.1 million and HK\$209.0 million as at 31 December 2012, 2013 and 2014 and 30 April 2015 respectively were not yet past due nor impaired, representing approximately 86.0%, 67.7%, 69.3% and 84.6% of our trade debtors respectively. As at 31 December 2012, 2013 and 2014 and 30 April 2015, trade receivables of approximately HK\$14.2 million, HK\$44.8 million, HK\$58.1 million and HK\$38.1 million were past due but not impaired, representing approximately 14.0%, 32.3%, 30.7% and 15.4% of our trade receivables respectively. These trade receivables are from independent customers with no recent history of default and approximately 95.7% of the trade receivables as at 30 April 2015 were subsequently settled up to 31 August 2015. As a result, no provision has been made to the overdue trade receivables. The increase of our trade receivables balances that were past due but not impaired as at 31 December 2014 over 31 December 2013 was primarily due to our revenue growth in 2014.

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Retention monies receivables

We determine the provision for impairment of retention monies receivables on a project-by-project basis having regard to a number of factors, including the terms of release of retention money as agreed with customers, the ageing of the receivable balance, results of follow-up procedures, customers' credit history, customers' financial position and the current market condition. As at 31 December 2012, 2013 and 2014 and 30 April 2015, none of the above receivables is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default. Our Directors consider that such increase was generally consistent with our business growth during the Track Record Period.

Approximately 3.40% of the retention receivables as at 30 April 2015 was subsequently settled up to 31 August 2015. Retention money is usually withheld by customers for a period of time until the end of the defect liability period or the receipt of final account. In view of the nature of retention receivables, past payment record and our collection experience with these customers, our Directors consider that the outstanding balances of retention receivables are collectible.

Due from/to the Remaining Group

The following table sets out the amounts due from/to the Remaining Group as at each reporting date:

	As at 31 December			As at 30 April
	2012	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Due from the Remaining Group	<u>39,668</u>	<u>22,606</u>	<u>21,962</u>	<u>21,962</u>
Due to the Remaining Group	<u>16,709</u>	<u>21,519</u>	<u>96</u>	<u>—</u>

Our Group's amounts due from/to the Remaining Group mainly consist of trade-related balances with the Remaining Group, reimbursement of administrative expenses, advances to the Remaining Group for financing their daily operations, and unsettled dividend payment. The balances with the Remaining Group were unsecured, interest-free and repayable on demand, except that interest was charged on certain amounts due from the Remaining Group of HK\$6,000,000 as at 31 December 2012, at the Hong Kong dollar prime rate of 5% per annum. Further details on the exempted continuing connected transactions are set out in the paragraph headed "Connected Transactions — Exempt Continuing Connected Transactions". Prior to Listing, all balances with the Remaining Group were settled by way of distribution of special dividend to the Remaining Group. Further details on the distribution of special dividend are set out in the paragraph headed "History and Corporate Structure — Our Reorganisation".

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Trade and other payables

Trade payables principally comprise payables to (i) the suppliers of construction materials, diesel, machinery spare parts and transportation services; and (ii) subcontractors for our projects. Other payables and accruals mainly represent (i) accruals for staff salaries and allowances; and (ii) other accrued audit fee. Our Group retained retention money from our subcontractors at an agreed rate of each interim payment made to us and up to an agreed maximum limit in some cases. The following table sets out a breakdown of our trade and other payables as at each reporting date:

	As at 31 December			As at 30 April
	2012	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	106,177	125,090	126,790	131,000
Retention monies payables	18,912	23,853	26,090	28,567
Other payables and accruals	19,314	29,989	39,334	25,969
	144,403	178,932	192,214	185,536

Trade payables increased from approximately HK\$106.2 million as at 31 December 2012 to approximately HK\$125.1 million as at 31 December 2013, mainly due to the increase in the purchase of construction materials and the increase in subcontracting charges from undertaking larger scale projects. Trade payables remained stable from approximately HK\$125.1 million as at 31 December 2013 to approximately HK\$126.8 million as at 31 December 2014 and our trade payables further increased to approximately HK\$131.0 million as at 30 April 2015. Such increase was attributable to the increase in construction material purchased and subcontracting charges resulting from our business growth for the year ended 31 December 2014 and the four months ended 30 April 2015.

The following table sets out the turnover days of trade payables for the periods indicated:

	Year ended 31 December			Four months ended 30 April
	2012	2013	2014	2015
	Trade payables turnover days ^(Note)	42.5 days	42.9 days	41.7 days

Note: Trade payables turnover days for the three years ended 31 December 2014 and the four months ended 30 April 2015 equal average trade payables divided by cost of sales for the relevant period and multiplied by the number of days in the relevant period (i.e. 365 days for a full year and 120 days for the four months ended 30 April). Average trade payables equal the average of trade payables at the beginning and the end of period.

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Our trade payables turnover days remained relatively stable at approximately 42.5 days, 42.9 days, 41.7 days for the three years ended 31 December 2014, respectively, and our trade payables turnover days decreased to 33.1 days for the four months ended 30 April 2015, which was primarily due to the settlement of trade payables close to 30 April 2015 in order to maintain relationship with suppliers and subcontractors. Our trade payables turnover days during the Track Record Period were within the credit terms of ranging from 0 to 45 days our major suppliers granted to us.

The following table illustrates the ageing analysis of the trade payables based on invoice date as at each reporting date:

	As at 31 December			As at 30 April
	2012	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 30 days	87,035	107,432	68,880	88,485
31 to 60 days	9,793	12,683	39,863	28,618
60 to 90 days	5,358	2,222	10,655	8,254
Over 90 days	3,991	2,753	7,392	5,643
	106,177	125,090	126,790	131,000

100% of the trade payables as at 30 April 2015 were subsequently settled up to 31 August 2015.

Retention monies payables

Retention monies payables represent the amounts we withheld from progress payments to our subcontractors. Such retention money is released upon the end of the defect liability period.

With the increase in number of large scale projects, subcontractor payments were increased from year to year and, thus, the balance of our retention payables was increased from approximately HK\$18.9 million as at 31 December 2012 to approximately HK\$23.9 million as at 31 December 2013 and further increased to approximately HK\$26.1 million as at 31 December 2014. Since the defect liability period granted to our subcontractors generally lasts for one year, the retention payables in relation to the projects completed for the year ended 31 December 2014 accumulated as at 30 April 2015 amounted to approximately HK\$28.6 million.

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INDEBTEDNESS

The following table sets out our Group's indebtedness as at the respective financial position dates:

	As at 31 December			As at 30 April	As at 31 August
	2012	2013	2014	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(unaudited)</i>
Current liabilities:					
Due to the Remaining Group	16,709	21,519	96	—	473
Interest-bearing bank borrowings	4,800	2,400	—	—	—
Obligations under finance leases	13,410	—	—	—	—
	<u>34,919</u>	<u>23,919</u>	<u>96</u>	<u>—</u>	<u>473</u>
Non-current liabilities:					
Obligations under finance leases	7,768	—	—	—	—
	<u>42,687</u>	<u>23,919</u>	<u>96</u>	<u>—</u>	<u>473</u>

The amount due to the Remaining Group of approximately HK\$473,000 as at 31 August 2015 will be fully settled prior to Listing.

Bank borrowings and finance lease liabilities

Bank loans

	As at 31 December			As at 30 April	As at 31 August
	2012	2013	2014	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Unsecured bank loans	<u>4,800</u>	<u>2,400</u>	<u>—</u>	<u>—</u>	<u>—</u>

The bank loans bear interest at 2.39% and 2.38% per annum as at 31 December 2012 and 2013, respectively, which were fully settled as at 31 December 2014. The Group's banking facilities are jointly used and secured by the corporate guarantees executed by our Company's subsidiaries and the Remaining Group. All jointly used banking facilities by the Remaining Group and our Group will be segregated and our Group will obtain own banking facilities before Listing. The corporate guarantee provided by the Remaining Group will be released and replaced by a corporate guarantee provided by our Company upon Listing.

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As at 31 August 2015, our Group had jointly used and committed available banking facilities of HK\$891.0 million, of which HK\$480.0 million were utilized and HK\$411.0 million were unutilized. Out of the available banking facilities of HK\$891.0 million jointly used by the Remaining Group and our Group, our Group has provided cross-guarantee in respect of HK\$413.0 million while the remaining HK\$478.0 million is secured by corporate guarantee from CAG only. To facilitate the working capital and ensure the financial independence of our Group, all jointly used banking facilities will be segregated and our Group will obtain our own banking facilities before Listing.

As at the Latest Practicable Date, our Group has obtained seven independent banking facilities of about HK\$558.0 million in aggregate which will be subject to annual review by the relevant banks. The interest rates of the independent banking facilities obtained by our Group range from HIBOR plus 1.75% to prime rate plus 1% per annum. Our Directors are of the view that the interest rates of these banking facilities are comparable to that secured by guarantees provided by the Remaining Group. Further details regarding the expected annual review date and the relevant security and guarantee of these banking facilities are set out as below:

Facilities	Date of annual amount review	Security and guarantee
	<i>(HK\$'000)</i>	
Facility A	32,000 February 2016	Corporate guarantee by CAG to be released and replaced by a corporate guarantee given by our Company upon Listing (the “ Corporate Guarantee ”)
Facility B	50,000 September 2016	Corporate Guarantee and 10% cash margin to secure the relevant bank guarantees when they are being used (the “ Cash Margin ”)
Facility C	200,000 July 2016	Corporate Guarantee and cross guaranteed by Kin Wing Engineering and Kin Wing Foundations
Facility D	40,000 December 2015	Corporate Guarantee, 20% Cash Margin and cross guaranteed by Kin Wing Engineering and Kin Wing Foundations
Facility E	76,000 November 2015	Corporate Guarantee and charge over deposit executed by Kin Wing Foundations
Facility F	60,000 November 2016	Corporate Guarantee
Facility G	100,000 July 2016	Corporate guarantee currently given by Kin Wing together with a corporate guarantee given by our Company upon Listing and 7.5% Cash Margin
Total	<u><u>558,000</u></u>	

FINANCIAL INFORMATION

Our Directors confirm that our Group has not experienced any difficulty in obtaining bank borrowing, default in payment on bank borrowings or breach of finance covenants during the Track Record Period and up to the Latest Practicable Date and that they do not foresee any difficulty for our Group in obtaining bank borrowing after the Latest Practicable Date.

Obligations under finance leases

During the Track Record Period, we acquired certain machinery by way of finance leases arrangement mainly through banks.

As at 31 December 2012, our total finance lease liabilities (including both current and non-current portions) were approximately HK\$21.2 million which the carrying amount of all finance lease liabilities are denominated in HK dollars and were fully settled as at 31 December 2013.

	As at 31 December			As at 30 April	As at 31 August
	2012	2013	2014	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					<i>(unaudited)</i>
Gross finance lease liabilities (total future minimum lease payments):					
Within 1 year	14,163	—	—	—	—
In the second to fifth years, inclusive	<u>8,010</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	22,173	—	—	—	—
Future finance charges	<u>(995)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>21,178</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

The present value of finance lease liabilities is as follows:

	As at 31 December			As at 30 April	As at 31 August
	2012	2013	2014	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					<i>(unaudited)</i>
Within 1 year	13,410	—	—	—	—
In the second to fifth years, inclusive	<u>7,768</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>21,178</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

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The underlying interest rates of these obligations under finance leases ranged from 3.25% to 4.25% per annum as at 31 December 2012, of which the Group's obligations under finance leases were secured by the lessor's charge over the leased assets as at 31 December 2012.

CONTRACTUAL AND CAPITAL COMMITMENTS

Our commitments relate to (i) capital commitments in relation to our purchases of fixed assets contracted but not provided for; and (ii) future minimum lease payments under non-cancellable operating leases.

Capital commitments

At each statement of financial position date, the Group had the capital commitments in relation to our purchases of fixed assets contracted but not provided for as follows:

	As at 31 December			As at 30 April	As at 31 August
	2012	2013	2014	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (Note)
					<i>(unaudited)</i>
Machinery	<u>—</u>	<u>12,844</u>	<u>11,654</u>	<u>3,067</u>	<u>39,977</u>

Note: Subsequent to 30 April 2015, the Group has entered into a number of agreements for purchase of machinery including oscillators, hammer grabs, grouting pumps, drilling rigs, power packs and generators which are pending delivery as at 31 August 2015.

Operating lease commitments — Group as lessee

At each statement of financial position date, the total future minimum leases payments payable under non-cancellable operating leases were payable as follows:

	As at 31 December			As at 30 April	As at 31 August
	2012	2013	2014	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (unaudited)
Within 1 year	374	156	3,456	4,433	3,944
In the second to fifth years, inclusive	<u>156</u>	<u>—</u>	<u>3,744</u>	<u>2,592</u>	<u>1,440</u>
	<u>530</u>	<u>156</u>	<u>7,200</u>	<u>7,025</u>	<u>5,384</u>

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The Group leases its warehouses and offices under operating lease arrangements. Lease for the warehouses and offices were negotiated for terms ranging from one to three years.

CONTINGENT LIABILITIES

As at 31 December 2012, 2013 and 2014, 30 April 2015 and 31 August 2015, contingent liabilities not provided for in the financial statements were as follows:

	As at 31 December			As at 30 April	As at 31 August
	2012	2013	2014	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Guarantees given to banks in connection with facilities granted to Remaining Group	<u>288,000</u>	<u>288,000</u>	<u>413,000</u>	<u>413,000</u>	<u>413,000</u>

(unaudited)

As at 31 December 2012, 2013 and 2014, 30 April 2015 and 31 August 2015, the banking facilities granted to the Remaining Group subject to guarantees given to the banks by the Group were utilised to the extent of approximately HK\$60.7 million, HK\$111.4 million, HK\$128.7 million, HK\$128.3 million and HK\$96.2 million, respectively. The guarantees given to the banks in connection with facilities granted to the Remaining Group will be released before Listing.

DISCLAIMER

Our Directors confirm that (i) our Group has not experienced any difficulty in obtaining bank borrowing, default in payment on bank borrowings or breach of finance covenants during the Track Record Period and up to the Latest Practicable Date; (ii) there has not been any material change in our indebtedness, contractual and capital commitment and contingent liabilities since 31 August 2015 and up to the Latest Practicable Date; (iii) our Directors are not aware of any material defaults in payment of our trade and non-trade payables and bank borrowings during the Track Record Period and up to the Latest Practicable Date; (iv) the bank loans, finance leases and bank facilities are subject to standard banking conditions; (v) our Group has not received any notice from banks indicating that they might withdraw or downsize the bank loans or bank facilities and none of our Group's bank borrowings and facilities are subject to fulfillment of covenants relating to financial ratio requirements or any other material covenants which would adversely affect our Group's ability to undertake additional debt or equity financing; and (vi) our Group currently does not have any plan to raise any material debt financing after listing as at the Latest Practicable Date.

Save as disclosed in the paragraph headed "Indebtedness" in this section, we did not have, at the close of business on 31 August 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, finance lease commitments, guarantees or other material contingent liabilities.

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OFF-BALANCE SHEET ARRANGEMENTS

Save as disclosed in the paragraph headed “Contractual and Capital Commitments” in this section, we did not have any off-balance sheet arrangements as at 30 April 2015.

KEY FINANCIAL RATIOS

	As at/for the year ended 31 December			As at/for the four months ended 30 April
	2012	2013	2014	2015
	Current ratio ¹	1.1	1.0	1.0
Gearing ratio ²	13.8%	1.1%	0.0%	0.0%
Debt to equity ratio ³	Net cash	Net cash	Net cash	Net cash
Interest coverage ⁴	35.8	112.3	1,541.4	N/A
Return on assets ⁵	6.2%	7.9%	11.2%	16.8%
Return on equity ⁶	17.8%	26.1%	44.1%	61.9%
Gross profit margin ⁷	15.6%	16.6%	20.1%	22.1%
Net profit margin ⁸	3.2%	5.0%	7.1%	9.7%

Notes:

1. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of each reporting period.
2. Gearing ratio is calculated based on debts including payables incurred not in the ordinary course of business divided by the total equity as at the end of each reporting period.
3. Debt to equity ratio is calculated by the net debt (all borrowings net of cash and cash equivalents) divided by the total equity as at the end of each reporting period.
4. Interest coverage is calculated by the profit before interest and tax divided by the interest for the respective year or period.
5. Return on assets is calculated by the total comprehensive income for the year or period divided by the total assets excluding deferred tax assets as at the end of each reporting period and multiplied by 100.0%. Our return on assets ratio for the four months ended 30 April 2015 is annualised by multiplying the ratio of 5.6% by three, for comparison with that for the years ended 31 December 2012, 2013 and 2014, respectively.
6. Return on equity is calculated by the total comprehensive income for the year or period divided by the total equity as at the respective year or period end and multiplied by 100.0%. Our return on equity ratio for the four months ended 30 April 2015 is annualised by multiplying the ratio of 20.6% by three, for comparison with that for the years ended 31 December 2012, 2013 and 2014, respectively.
7. Gross profit margin is calculated by the gross profit for the year or period divided by the revenue for the respective year or period and multiplied by 100%.
8. Net profit margin is calculated by the total comprehensive income for the year or period divided by the revenue for the respective year or period and multiplied by 100.0%.

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Current ratio

Our current ratio was approximately 1.1, 1.0, 1.0 and 1.0 as at 31 December 2012, 2013 and 2014 and 30 April 2015 respectively. Our current ratio remained stable over the Track Record Period mainly due to the fact that our current liabilities kept in the same pace with our current assets growth. The increase in our trade receivables and retention monies receivable under current assets was caused by the growth in our revenue as more projects were undertaken in both 2013 and 2014.

Gearing ratio

Our gearing ratio was approximately 13.8%, 1.1%, 0% and 0% as at 31 December 2012, 2013 and 2014 and 30 April 2015 respectively. Our gearing ratio decreased over the Track Record Period mainly because the Group has settled most of our borrowings (including bank loans and finance lease liabilities) in 2013 and fully settled our borrowings in 2014.

Debt to equity ratio

The Group was at net cash position as at 31 December 2012, 2013 and 2014 and 30 April 2015.

Interest coverage

Our interest coverage was approximately 35.8, 112.3, 1,541.4 and nil as at 31 December 2012, 2013 and 2014 and 30 April 2015 respectively. Our interest coverage increased significantly over the Track Record Period mainly because the combined factors of (i) all debts were fully settled as at 31 December 2014 and (ii) our operating profit increased significantly as a result of the continuing business growth leading to the increase in our revenue.

Return on assets

Our return on assets was approximately 6.2%, 7.9%, 11.2% and 16.8% for the years ended 31 December 2012, 2013 and 2014 and for the four months ended 30 April 2015 respectively. Such increase was in line with our revenue growth.

Return on equity

Our return on equity was approximately 17.8%, 26.1%, 44.1% and 61.9% for the years ended 31 December 2012, 2013 and 2014 and for the four months ended 30 April 2015 respectively. Such increase was in line with our revenue growth.

Gross profit margin

Our gross profit margin was approximately 15.6%, 16.6%, 20.1% and 22.1% for the years ended 31 December 2012, 2013 and 2014 and for the four months ended 30 April 2015 respectively. Our gross profit margin was improved steadily which was benefited from the continuous growth in business during the Track Record Period.

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Net profit margin

Our net profit margin was approximately 3.2%, 5.0%, 7.1% and 9.7% for the years ended 31 December 2012, 2013 and 2014 and for the four months ended 30 April 2015 respectively. Our net profit margin was improved steadily which was benefited from the continuous growth in business during the Track Record Period.

RELATED PARTY TRANSACTIONS

During the Track Record Period, our Company was wholly-owned by CAG, and thus our Company and the Remaining Group are connected persons under the Listing Rules. Set out below are the details on the transactions and transaction amount with the Remaining Group during the Track Record Period:

Transaction item	Details
Rental expense	Rental expense charged by the Remaining Group is based on the market price. We intend to continue to lease office premises from the Remaining Group after Listing. For details, see “Connected Transactions — Exempt Continuing Connected Transactions — 3. Leasing of office space”.
Reimbursement of staff costs	The reimbursement of staff costs related to the staff costs of Mr. Yu, being the managing director of all members of the Group. As Mr. Yu signed the employment contract with the Remaining Group but only provided services solely for the Group, the staff costs of Mr. Yu were initially paid by the Remaining Group, and were then reimbursed by the Group on an actual basis.
Purchase of consumables and parts of machinery	Purchase of consumables and parts of machinery from the Remaining Group. In the opinion of the directors, the transaction was made according to the published prices and conditions similar to those offered to the major customers of the supplier or contractor. We intend to continue to purchase consumables and parts of machinery from the Remaining Group after Listing. For details of the continuing connected transactions in relation to the purchase of consumables and parts of machinery from the Remaining Group, see “Connected Transactions — Exempt Continuing Connected Transactions — 2. Purchase of consumables and parts of machinery”.
Interest income	The interest income received from the Remaining Group was charged at the Hong Kong dollar prime rate per annum on the net outstanding interest-bearing balances.

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Transaction item	Details				
Contracting income	For the provision of our foundation construction services to the Remaining Group. In the opinion of the directors, the transaction was made according to the published prices and conditions similar to those offered to the major customers of the supplier or contractor.				
	Year ended 31 December			Four months ended 30 April	
	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>
				<i>(unaudited)</i>	
Rental expense paid	(810)	(807)	(1,516)	(505)	(507)
Reimbursement of staff costs	(3,830)	(4,550)	(5,980)	(1,993)	—
Purchase of consumables and parts of machinery	(353)	(183)	(570)	—	—
Interest income received	200	928	1,609	125	—
Contracting income received	721	—	164	—	—

For details of the related party transactions, please refer to note 28 of the Accountants' Report set out 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 AND CAPITAL RISK MANAGEMENT

Financial risk management and sensitivity analysis

Our activities exposed us to a variety of financial risks, including credit and liquidity risks. Our Group's exposure to these risks and the financial risk management policies and practices used by our Group to manage these risks are described below.

Credit risk

Our Group's credit risk is primarily attributable to bank and trade and other receivables. Our Group has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

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In respect of trade and other receivables, individual credit evaluations are performed as part of the acceptance procedures for new construction contracts. These evaluations focus on the customer's track records of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. During the Track Record Period, our trade receivables were due within 30-45 days from the date of billing. Normally, our Group does not obtain collateral from customers. Since our Group trade only with recognized and creditworthy third parties and group companies.

At the end of the reporting period, our Group has significant concentration of credit risk in a few customers. In view of their credit standing, good payment records and long established relationships with our Group, our executive Directors do not consider our Group's credit risk to be significant. At 31 December 2012, 2013 and 2014 and 30 April 2015, 34.7%, 58.9%, 27.2% and 38.6% of the total trade debtors was due from our Group's largest customer respectively and 72.6%, 77.8%, 70.2% and 76.3% of the total trade debtors was due from our five largest customers respectively.

Liquidity risk

Individual subsidiaries within our Group are responsible for their own cash management, including the raising of loans to cover the expected cash demands. Our Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed funding lines from major financial institutions to meet its liquidity requirements in the short and longer term.

Our Directors believe that our Group has sufficient resources to meet our debt obligations and working capital needs.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the Track Record Period.

Our Company monitors capital using a gearing ratio, which is total interest-bearing borrowings divided by the total capital. Total interest-bearing borrowings include obligations under finances leases and interest-bearing bank borrowings. Capital includes equity attributable to owners of our Company. Our gearing ratio was approximately 13.8%, 1.1%, 0% and 0% as at 31 December 2012, 2013 and 2014 and 30 April 2015 respectively.

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UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma statement of adjusted combined net tangible assets of the Group which has been prepared in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had been taken place on 30 April 2015 and based on the audited combined net tangible assets attributable to owners of the Company as at 30 April 2015 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

This unaudited pro forma adjusted combined net tangible assets of the Group has been prepared for illustrative purposes only and because of its nature, it may not give a true and fair picture of the financial position of the Group after the completion of the Global Offering or at any future dates.

	Combined net tangible assets attributable to shareholders of the Company as at 30 April 2015	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted combined net tangible assets attributable to shareholders of the Company	Unaudited pro forma adjusted combined net tangible assets attributable to shareholders of the Company per Share
	<i>HK\$'000</i> <i>(Note 1)</i>	<i>HK\$'000</i> <i>(Notes 2 and 4)</i>	<i>HK\$'000</i> <i>(Note 4)</i>	<i>HK\$</i> <i>(Notes 3 and 4)</i>
Based on an Offer				
Price of HK\$0.50 per Share	281,599	159,836	441,435	0.294
Based on an Offer				
Price of HK\$0.66 per Share	281,599	218,588	500,187	0.333

Notes:

- (1) The combined net tangible assets attributable to shareholders of the Company as at 30 April 2015 has been extracted from the Accountants' Report set forth in Appendix I to this prospectus which is based on the combined net tangible assets of the Group attributable to shareholders of the Company of HK\$281.6 million as at 30 April 2015.
- (2) The estimated net proceeds from the Global Offering are based on the Offer Prices as below, being the lower end and higher end of the indicative Offer Price range, after deduction of the estimated underwriting commission and other estimated expenses mainly including legal and professional expenses in relation to the Reorganisation and the Listing and does not take into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any shares which may be allotted or repurchased by our Company pursuant to the issuing mandate and the repurchase mandate.

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- (3) The unaudited pro forma adjusted combined net tangible assets attributable to shareholders of the Company per Share is arrived at after the adjustment referred to in note (2) above and is based on the 1,500,000,000 Shares assuming the Global Offering and the Capitalisation Issue have been completed on 30 April 2015 but takes no account of any shares which may be issued upon the exercise of Over-allotment Option or any shares which may be allotted or repurchased by our Company pursuant to the issuing mandate and the repurchase mandate.
- (4) No adjustment has been made to the combined net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 30 April 2015, and in particular, the unaudited pro forma adjusted combined net tangible assets of the Group has not been adjusted to give effect to the dividend distribution amounting to HK\$232.0 million in October 2015. The dividend distribution would result in a decrease of HK\$232.0 million in the Group's net tangible asset value attributable to shareholders of the Group before Listing. Had the dividend been taken into account by adjusting HK\$232.0 million to the Group's unaudited pro forma adjusted combined net tangible assets attributable to shareholders of the Group and based on 1,500,000,000 Shares as mentioned in note 2 above, the unaudited pro forma adjusted combined net tangible assets attributable to shareholders of the Group per Share would be approximately HK\$0.140 (assuming an Offer Price of HK\$0.50 per Share) and approximately HK\$0.179 (assuming an Offer Price of HK\$0.66 per Share), respectively.

LISTING EXPENSES

The total amount of listing expenses, commissions and the maximum incentive fee (if any), together with SFC transaction levy and Hong Kong Stock Exchange trading fee that will be borne by us in connection with the Global Offering is estimated to be approximately HK\$36.1 million (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised), of which approximately HK\$3.5 million were charged to our profit and loss during the Track Record Period. The remaining listing expenses in the amount of approximately HK\$17.9 million is expected to be charged to our income statement for the year ending 31 December 2015, and approximately HK\$14.8 million is expected to be capitalised upon Listing.

DIVIDENDS

No dividend has been paid or declared by our Company since its incorporation up to and including the Latest Practicable Date.

Notwithstanding the above, non-recurring dividend of approximately HK\$29.5 million, HK\$21.0 million, HK\$100.5 million and nil were declared and paid from our internal resources by the companies now comprising our Group to the then shareholders for the three years ended 31 December 2014 and the four months ended 30 April 2015 respectively.

Prior to Listing, our Group declared special dividends of approximately HK\$232.0 million to the Remaining Group, of which approximately HK\$22.0 million was set off against the amount due from the Remaining Group and HK\$210.0 million will be settled by internal resources of our Group before Listing. Further details on the special dividend to set off against the amount due from the Remaining Group are set out in the paragraph headed "History and Corporate Structure — Our Reorganisation".

FINANCIAL INFORMATION

Dividend policy

After completion of the Global Offering, our Directors may at their discretion declare dividends to our Shareholders. It is currently expected that no dividend will be declared for the financial year ending 31 December 2015 but we intend to recommend dividends of not less than 50% of our profit and total comprehensive income attributable to the equity holders of our Group for the financial year ending 31 December 2016. Subsequent to the year ending 31 December 2016, we do not have any pre-determined dividend distribution ratio and the recommendation of the payment of dividend will be considered by our Directors after taking into account our operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements and other factors as it may deem relevant at such time.

Any declaration and payment as well as the amount of the dividend will be subject to our constitutional documents and the Companies Act, including the approval of our Shareholders. Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

DISTRIBUTABLE RESERVE

Our Company was incorporated on Bermuda and is an investment holding company. There were no reserves available for distribution to the Shareholders as of 30 April 2015.

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.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed, after performing all the due diligence work which the Directors consider appropriate, that save as disclosed in the paragraph headed “Summary — Recent Developments and No Material Adverse Change” in this prospectus, there is no event which could materially affect the information shown in our consolidated financial information included in the Accountant’s Report set forth in Appendix I to this prospectus since 30 April 2015, and as of the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects.

FUTURE PLANS AND PROPOSED USE OF PROCEEDS

FUTURE PLANS

Please refer to the paragraph headed “Business — Business Strategies” in this prospectus for detailed description of our future plans.

USE OF PROCEEDS

We estimate that the aggregate net proceeds to be received by us from the Global Offering (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering, and assuming an Offer Price of HK\$0.58 per Offer Share, being the mid point of the indicative Offer Price range) will be approximately HK\$185.8 million, assuming that the Over-allotment Option is not exercised. We currently intend to apply such net proceeds in the following manner:

- Approximately HK\$111.5 million or approximately 60.0% of the net proceeds for the acquisition of additional machinery for our foundation business in order to expand our capacity and enhance our project implementation capability and to avoid over-reliance on leasing from external parties. The planned allocation of this portion of the net proceeds includes the acquisition of three crawler cranes, six hydraulic oscillators, six reverse circulation drills, six hammer grabs and other related accessory equipment and tools amounting to an aggregate of approximately HK\$101.5 million, as well as related storage and maintenance expenditures of approximately HK\$10.0 million in the next three years ending 31 December 2017. It is estimated that the annual depreciation expenses for these new machinery will be approximately HK\$10.1 million;
- Approximately HK\$37.2 million or approximately 20.0% of the net proceeds for the investment in human resources including the hiring of five project managers, four safety supervisors, five site agents, six machinery operators and ten site workers and relevant expenditures in providing trainings to existing and new employees to increase our productivity and capabilities. It is expected that these additional staff and labour will be recruited in the three financial years ending 31 December 2017. The additional staff costs of approximately HK\$33.2 million for two years and approximately HK\$4 million for providing staff trainings to both the existing and new employees in the four financial years ending 31 December 2018 will be funded by the net proceed;
- Approximately HK\$18.6 million or approximately 10.0% of the net proceeds for research and development including (i) approximately HK\$2 million for upgrading our design programs and software currently in use such as “SAFE”, “AutoCad” and “SAP2000” for enhancement of our design capability; (ii) approximately HK\$11 million for upgrading our existing project management programs to streamline the project implementation progress and developing a new site monitoring system to enhance our real-time supervision of various construction sites; and (iii) approximately HK\$5.6 million for expenditures in modifications of our existing plant and machinery to increase their efficiency and useful lives; and

FUTURE PLANS AND PROPOSED USE OF PROCEEDS

- approximately HK\$18.6 million or approximately 10.0% of the net proceeds will be used as general working capital of our Group.

If the Offer Price is fixed at the high-end of the indicative range of the Offer Price, being HK\$0.66 per Offer Share, the net proceeds we receive from the Global Offering will increase by approximately HK\$29.4 million. We intend to apply the additional net proceeds for the above purposes on a pro-rata basis. If the Offer Price is set at the low-end of the indicative range of the Offer Price, being HK\$0.50 per Offer Share, the net proceeds we receive from the Global Offering will decrease by approximately HK\$29.4 million. We intend to reduce the net proceeds for the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, we estimate that the additional net proceeds from the offering of these additional Offer Shares to be received by us, after deducting underwriting fees and estimated expenses in connection with the Global Offering, will be approximately (i) HK\$36.4 million, assuming that the Offer Price is fixed at the high-end of the indicative range of the Offer Price, being HK\$0.66 per Offer Share; (ii) HK\$31.9 million, assuming that the Offer Price is fixed at the mid-point of the indicative range of the Offer Price, being HK\$0.58 per Offer Share; and (iii) HK\$27.5 million, assuming that the Offer Price is fixed at the low-end of the indicative range of the Offer Price, being HK\$0.50 per Offer Share. Any additional proceeds received by us from the exercise of the Over-allotment Option will also be allocated to the above purposes on a pro-rata basis.

To the extent that the net proceeds of the Global Offering are not immediately used for the above purposes and to the extent permitted by the relevant laws and regulations, we intend to deposit such net proceeds into interest-bearing bank accounts with licensed banks and/or financial institutions.

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SOLE GLOBAL COORDINATOR

Haitong International Securities Company Limited

SOLE BOOKRUNNER

Haitong International Securities Company Limited

HONG KONG UNDERWRITERS

Haitong International Securities Company Limited

Gransing Securities Co., Limited

Fortune (HK) Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

(a) Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering 38,250,000 Hong Kong Offer Shares (subject to reallocation) for subscription on the terms and subject to the conditions of this prospectus and the Application Forms at the Offer Price.

Subject to (i) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares (including the additional Shares to be issued pursuant to the Capitalisation Issue and pursuant to the exercise of the Over-allotment Option); and (ii) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to apply or procure applications, on the terms and conditions of this prospectus, the related Application Forms and the Hong Kong Underwriting Agreement, for the Hong Kong Offer Shares now being offered and which are not taken up under the Hong Kong Public Offer.

The Hong Kong Underwriting Agreement is conditional on and subject to the International Underwriting Agreement having been signed and becoming unconditional.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares are subject to termination if prior to 8:00 a.m. on the Listing Date:

(A) there shall develop, occur, exist or come into effect:

- (1) any change or prospective change (whether or not permanent) in the business or in the earnings, operations, financial or trading position or prospects of our Group or any change in capital stock or long-term debt of our Company or any other member of our Group, which (in any such case) is not set forth or contemplated in this prospectus;
or

UNDERWRITING

- (2) any change or development involving a prospective change or development, or any event or series of events resulting or representing or is/are likely to result in any change or development involving a prospective change or deterioration (whether or not permanent) in local, national, regional or international financial, political, military, industrial, economic, legal framework, regulatory, fiscal, currency, credit or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets) in or affecting any of Hong Kong, Macau, Bermuda, the BVI or any other jurisdictions where any member of our Group is incorporated (collectively, the “Relevant Jurisdictions”); or
- (3) any deterioration of any pre-existing local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions in or affecting any of the Relevant Jurisdictions; or
- (4) any new law or any change (whether or not forming part of a series of changes) or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or governmental authority in or affecting any of the Relevant Jurisdictions; or
- (5) a change or development or event involving a prospective change in taxation or exchange control (or the implementation of any exchange control) or foreign investment regulations in or affecting any of the Relevant Jurisdictions adversely affecting an investment in shares; or
- (6) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or crisis involving or affecting any of the Relevant Jurisdictions; or
- (7) any event, act or omission which gives rise to or is likely to give rise to any material liability of any of our Company, our executive Directors and CAG pursuant to the Hong Kong Underwriting Agreement; or
- (8) the imposition or declaration of (i) any suspension or restriction on dealings in shares or securities generally on the New York Stock Exchange, the NASDAQ Stock Market, the London Stock Exchange, the Toronto Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Tokyo Stock Exchange, the Stock Exchange and the Singapore Stock Exchange or any other major international stock exchange or any minimum or maximum prices for trading having been fixed, or maximum ranges for prices having been required, by any of the said exchanges or by such system or by order of any regulatory or governmental authority or (ii) any moratorium on commercial banking activities or disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or
- (9) the imposition of economic, political or other sanctions, in whatever form, directly or indirectly, in or affecting any of the Relevant Jurisdictions; or

UNDERWRITING

- (10) any event, or series of events, in the nature of force majeure (including without limitation, any acts of God, acts of government, declaration of a national or international emergency or war, acts or threat of war, calamity, crisis, economic sanction, riot, public disorder, civil commotion, fire, drought, flooding, severe snow or hail storms, explosion, earthquake, hurricanes, tornadoes, volcanic eruption, epidemic (including but not limited to severe acute respiratory syndrome or avian flu), pandemic, outbreak of disease, radiation or chemical contaminations, terrorism, strike or lockout) in or affecting any of the Relevant Jurisdictions; or
- (11) any change or development or event involving a prospective change, or a materialisation of, any of the risks set out in the section headed “Risk Factors” of this prospectus; or
- (12) any change in the system under which the value of the HK dollar is linked to that of the U.S. dollar; or
- (13) any 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
- (14) save as disclosed in this prospectus, a contravention by any member of our Group of the Listing Rules or applicable laws; or
- (15) a prohibition of our Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including the Shares which may be issued pursuant to the Over-allotment Option) pursuant to the terms of the Global Offering; or
- (16) material non-compliance of any statement or disclosure of this prospectus or Application Forms or any aspect of the Global Offering with the Listing Rules or any other applicable law; or
- (17) other than with the prior approval of the Sole Global Coordinator (for itself and on behalf of other Hong Kong Underwriters), the issue or requirement to issue by our Company of a supplementary prospectus (or any other documents used in connection with the contemplated subscription and sale of the Shares) pursuant to the Companies Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (18) an order is made 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

UNDERWRITING

- (19) save as disclosed in this prospectus, any material litigation or claim of any third party being threatened or instigated against any member of our Group; or
- (20) a Director being charged with an offence or prohibited by operation of law or is otherwise disqualified from being a director or taking part in the management of a company; or
- (21) the commencement by any governmental, regulatory, political or judicial body or organisation of any action against a Director or any member of our Group or an announcement by any governmental, regulatory, political or judicial body or organisation that it intends to take any such action; or
- (22) our Company withdraws any of this prospectus or the Application Forms (and/or any other documents used in connection with the contemplated subscription of the Offer Shares); or
- (23) any person (other than any of the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents (as defined in the Hong Kong Underwriting Agreement) and/or any other documents used in connection with the contemplated subscription of the Offer Shares, or to the issue of any such documents,

which, whether individually or in the aggregate, after consulting with our Company to the extent that the Sole Global Coordinator determines that it is appropriate and practicable under the circumstances, in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters):

- (a) has or will or is likely to have a material adverse effect on the business, financial, trading or other condition or prospects of our Group taken as a whole and/or to any present or prospective shareholder in its capacity as such; or
 - (b) has or will or is likely to have a material adverse effect on the success of the Global Offering as a whole or the level of Offer Shares being applied for or accepted or the distribution of the Offer Shares; or
 - (c) is or will or is likely to make it inadvisable, inexpedient or not commercially viable
 - (i) for the Global Offering as a whole to be performed or implemented as envisaged or
 - (ii) to proceed with the Global Offering as a whole on the terms and in the manner contemplated in this prospectus; or
- (B) any of the Hong Kong Underwriters shall become aware of the fact that:
- (1) any of the warranties or undertakings given by our Company, our executive Directors and/or CAG under the Hong Kong Underwriting Agreement is untrue, inaccurate,

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misleading or breached in any material respect when given or as repeated, and as determined by the Sole Global Coordinator in its sole and absolute discretion or has been declared or determined by any court or governmental authorities to be illegal, invalid or unenforceable; or

- (2) any statement contained in this prospectus, the Application Forms, the formal notice or any announcements issued by our Company in respect of the Hong Kong Public Offer, the International Offer and/or the Global Offering was or is untrue, incorrect or misleading in any material respect, or any matter arises or is discovered which would, if this prospectus, the Application Forms, the formal notice and any announcements issued by our Company in respect of the Hong Kong Public Offer, the International Offer and/or the Global Offering were to be issued at that time, constitute a material omission therefrom, and as determined by the Sole Global Coordinator in its sole and absolute discretion to be material in the context of the Global Offering; or
- (3) any forecasts, expressions of opinion, intention or expectation expressed in this prospectus, the Application Forms, formal notice and/or any announcements issued by our Company in connection with the Hong Kong Public Offer (including any supplement or amendment thereto) are not fair and honest nor based on reasonable assumptions, and as determined by the Sole Global Coordinator in its sole and absolute discretion to be material in the context of the Global Offering; or
- (4) there has been a breach on the part of any of our Company, our executive Directors and/or CAG of any of the provisions of the Hong Kong Underwriting Agreement or the International Underwriting Agreement, and as determined by the Sole Global Coordinator in its sole and absolute discretion to be material in the context of the Global Offering,

then the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) may in its sole and absolute discretion terminate the Hong Kong Underwriting Agreement with immediate effect by notice in writing to our Company.

(b) International Underwriting Agreement

In connection with the International Offer, it is expected that we will enter into the International Underwriting Agreement with, among others, the International Underwriters.

Our Company expects to grant the Over-allotment Option to the International Underwriters, exercisable by the Sole Global Coordinator on behalf of the International Underwriters at any time from the Listing Date until and including the 30th day after the last day for lodging applications under the Hong Kong Public Offer, to require our Company to issue up to an aggregate of 57,375,000 Shares, representing in aggregate 15% of the Offer Shares initially available under the Global Offering at the Offer Price, under the International Offer to cover over-allocations, if any, in the International Offer.

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(c) Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings of our Company

Except pursuant to the Capitalisation Issue and the Global Offering (including pursuant to the Over-allotment Option), during the period commencing on the date of this prospectus and ending on, and including, the date that is six months after the Listing Date (the “**First Six-Month Period**”), our Company has undertaken to each of the Sole Global Coordinator, the Sole Bookrunner, the Hong Kong Underwriters and the Sole Sponsor not to, and to procure each other member of our Group not to, without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) (such consent not to be unreasonably withheld or delayed) and the Sole Sponsor and unless in compliance with the requirements of the Listing Rules:

- (1) offer, allot, issue or sell, or agree to allot, issue or sell, hedge, grant or agree to grant any option, right or warrant over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of its affiliates), either directly or indirectly, conditionally or unconditionally, any Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or any securities convertible into or exchangeable for such Shares (or any interest in any Shares or any voting or other right attaching to any Shares); or
- (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or such securities; or
- (3) enter into any transaction with the same economic effect as any transaction specified in (1) or (2) above; or
- (4) offer or agree to do any foregoing transactions and publicly disclose any intention to effect such transaction,

in each case, whether any of the transactions specified in (1), (2) or (3) above is to be settled by delivery of Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period).

Undertakings of CAG

CAG has also undertaken to each of our Company, the Sole Global Coordinator, the Sole Bookrunner, the Hong Kong Underwriters and the Sole Sponsor that, save as (i) pursuant to the Global Offering or the Stock Borrowing Agreement; or (ii) permitted under the Listing Rules, without the prior written consent of the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) (such consent not to be unreasonably withheld or delayed) and the Sole Sponsor:

- (1) it will not, at any time during the First Six-Month Period, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant,

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contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable), or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above, or (iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above, in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);

- (2) it will not, during the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), enter into any of the transactions specified in (i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it will cease to be a “controlling shareholder” (as the term is defined in the Listing Rules) of our Company; and
- (3) without prejudice to the undertakings as referred to in paragraphs (1) and (2) above, during the period commencing on the date by reference to which disclosure of its direct or indirect shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it shall:
 - (i) when it pledges or charges or otherwise create any rights of encumbrances over any Shares or other securities of the Company beneficially owned by it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Lawsof Hong Kong)) pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) of such pledge or charge or creation of the rights of encumbrances together with the number of the securities so pledged or charged and all other information as may be reasonably requested by the Company, the Sole Sponsor and/or the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters); and
 - (ii) subsequent to the pledge or charge or creation of rights or encumbrances over the Shares (or interest therein) or other shares or interests as mentioned in sub-paragraph (i) above, when it receives any indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged or encumbered securities as referred to

UNDERWRITING

in sub-paragraph (i) above will be disposed of, immediately inform our Company of such indications, and inform the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) as soon as practicable thereafter (taking into account the requirements of applicable laws, rules and regulations) of such indications.

(d) Underwriting Commission and Listing Expenses

The Hong Kong Underwriters will receive an underwriting commission of 3.0% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Underwriting Agreement. For unsubscribed Hong Kong Offer Shares reallocated to the International Offer, we will pay a placing commission at the rate applicable to the International Offer and such commission will be paid to the International Underwriters and not the Hong Kong Underwriters. In addition, we agreed, at our sole discretion, to pay Haitong Securities a discretionary incentive fee of up to 1.0% of the aggregate Offer Price payable for the Offer Shares, including any additional Shares allotted and issued pursuant to the Over-allotment Option.

The aggregate commissions and fees (exclusive of any discretionary incentive fees), including the Stock Exchange listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Global Offering, which are currently estimated to be approximately HK\$33.9 million in aggregate (based on an Offer Price of HK\$0.58 per Offer Share, being the mid-point of the stated price range of the Offer Price between HK\$0.50 and HK\$0.66 per Offer Share, and the assumption that the Over-allotment Option is not exercised) are to be borne by our Company.

(e) Underwriters' Interests in our Company

Save for its obligations under the relevant Underwriting Agreements or as otherwise disclosed in this prospectus, none of the Underwriters owns any shares or securities in our Company or any other member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares or securities in our Company or any member of our Group.

UNDERTAKINGS IN FAVOUR OF THE STOCK EXCHANGE PURSUANT TO THE LISTING RULES

(a) By our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) will be issued by our Company or form the subject of any agreement to such an issue by our Company within six months from the Listing Date (whether or not such issue of Shares or securities of our Company will be completed within six months from the Listing Date), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

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(b) By our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to us, the Stock Exchange and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and the Hong Kong Underwriters that he/it shall not and shall procure that the relevant registered holder shall not, without the prior written consent of the Stock Exchange, except pursuant to the Global Offering or the Capitalisation Issue or the Over-allotment Option or the Stock Borrowing Agreement:

- (i) at any time during the 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 Shares in respect of which he/it is shown in this prospectus to be the beneficial owner; or
- (ii) at any time during the Second 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 Shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be our Controlling Shareholder (as defined in the Listing Rules).

Each of our Controlling Shareholders has also undertaken to us, the Stock Exchange, the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and the Sole Sponsor and the other Hong Kong Underwriters that it will, within the period commencing on the date of this prospectus and ending on the date which is 12 months from the Listing Date, immediately inform us and the Stock Exchange, the Sole Global Coordinator, the Sole Sponsor and the Hong Kong Underwriters of:

- (i) any pledges or charges of any of the Shares or securities of our Company beneficially owned by him/it in favour of any authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, and the number of such Shares or securities of our Company so pledged or charged; and
- (ii) any indication received by him/it, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares will be disposed of.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Global Offering. Haitong Securities is the Sole Global Coordinator and Sole Bookrunner of the Global Offering.

The Global Offering comprises:

- (i) the Hong Kong Public Offer of initially 38,250,000 Offer Shares (subject to reallocation) in Hong Kong as further described in the paragraph headed “The Hong Kong Public Offer” below; and
- (ii) the International Offer of initially 344,250,000 Offer Shares (subject to reallocation and the Over-allotment Option) to professional, institutional and other investors, as further described in the paragraph headed “The International Offer” below.

Of the 38,250,000 Offer Shares initially being offered under the Hong Kong Public Offer, 3,825,000 Offer Shares are available for subscription by Eligible Employees on a preferential basis under the Employee Preferential Offer.

Of the 344,250,000 Offer Shares initially being offered under the International Offer, 34,425,000 Offer Shares are available for subscription by Qualifying CAG Shareholders under the Preferential Offer as Preferential Entitlement.

Investors may either:

- (i) apply for Hong Kong Offer Shares under the Hong Kong Public Offer; or
 - (ii) apply for or indicate an interest for International Offer Shares under the International Offer,
- but may not do both.

Eligible Employees may make an application for Employee Reserved Shares on a **PINK** Application Form and, in addition, will be entitled to apply for Hong Kong Offer Shares under the Hong Kong Public Offer or apply for or indicate an interest for International Offer Shares under the International Offer, but may not do both (other than an application to subscribe for Reserved Shares under the Preferential Offer).

Qualifying CAG Shareholders may make an application for Reserved Shares on a **BLUE** Application Form and, in addition, will be entitled to apply for Hong Kong Offer Shares under the Hong Kong Public Offer but may not apply for or indicate an interest for International Offer Shares under the International Offer (other than an application to subscribe for Reserved Shares under the Preferential Offer).

STRUCTURE OF THE GLOBAL OFFERING

The Offer Shares will represent 25.5% of the issued share capital of our Company immediately following the completion of the Global Offering, assuming that the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 28.2% of the issued share capital of our Company immediately following the completion of the Global Offering.

References in this prospectus to applications, application monies or the procedure for applications relate solely to the Hong Kong Public Offer.

THE HONG KONG PUBLIC OFFER

Number of Offer Shares initially offered

Our Company is initially offering 38,250,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the Hong Kong Public Offer, subject to any reallocation of Offer Shares between the International Offer and the Hong Kong Public Offer, will represent 2.55% of the issued share capital of our Company immediately following the completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

The Hong Kong Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offer is subject to the conditions set out in the paragraph headed “Conditions of the Global Offering” below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offer will be based solely on the level of valid applications received under the Hong Kong Public Offer. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offer (after taking into account any reallocation referred to below and after deducting the number of Hong Kong Offer Shares validly applied for under the Employee Preferential Offer) will be divided equally into two pools: pool A and pool B with any odd board lots being allocated to Pool A. Accordingly, the maximum number of Hong Kong Offer Shares initially in Pool A and Pool B will be 17,215,000 and 17,210,000 respectively. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage fee, the SFC transaction levy and

STRUCTURE OF THE GLOBAL OFFERING

the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee payable). For the purpose of this paragraph only, the “price” for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined).

If the Hong Kong Offer Shares offered to Eligible Employees for subscription under the Employee Preferential Offer are not fully taken up, any excess Hong Kong Offer Shares will be reallocated to pool A and pool B in equal proportions (to the nearest board lot).

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offer and any application for more than 17,210,000 Hong Kong Offer Shares are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offer and the International Offer is subject to reallocation under the Listing Rules. If the number of Offer Shares validly applied for under the Hong Kong 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 total number of Offer Shares initially available under the Hong Kong Public Offer, Offer Shares will be reallocated to the Hong Kong Public Offer from the International Offer.

As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offer will be increased to:

- 114,750,000 Offer Shares (in the case of (i) above);
- 153,000,000 Offer Shares (in the case of (ii) above); or
- 191,250,000 Offer Shares (in the case of (iii) above),

representing approximately 30%, 40% and 50% of the total number of Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offer will be allocated between

STRUCTURE OF THE GLOBAL OFFERING

pool A and pool B (after deducting the number of Hong Kong Offer Shares validly applied for under the Employee Preferential Offer) and the number of Offer Shares allocated to the International Offer will be correspondingly reduced in such manner as the Sole Global Coordinator deems appropriate. In addition, the Sole Global Coordinator may reallocate Offer Shares from the International Offer to the Hong Kong Public Offer to satisfy valid applications under the Hong Kong Public Offer.

If the Hong Kong Public Offer is not fully subscribed for, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offer, in such proportions as the Sole Global Coordinator deems appropriate.

The Preferential Offer and the Employee Preferential Offer will not be subject to reallocation between the Hong Kong Public Offer and the International Offer.

Applications

Each applicant under the Hong Kong Public Offer will be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application has 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 International Offer Shares under the International Offer (except in respect of Reserved Shares applied for under the Preferential Offer). Such applicant's application is liable to be rejected if such undertaking and/or confirmation is breached and/or untrue (as the case may be) or if he/she/it has been or will be placed or allocated International Offer Shares under the International Offer.

The listing of the Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offer are required to pay, on application, the maximum Offer Price of HK\$0.66 per Offer Share in addition to the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK\$3,333.26 for one board lot of 5,000 Shares.

If the Offer Price, as finally determined in the manner described in the paragraph headed "Pricing and Allocation" below, is less than the maximum Offer Price of HK\$0.66 per Offer Share, appropriate refund payments (including the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in the section headed "How to Apply for Hong Kong Offer Shares, Reserved Shares and Employee Reserved Shares" in this prospectus.

THE PREFERENTIAL OFFER

Basis of the Preferential Entitlement

In order to enable CAG Shareholders to participate in the Global Offering on a preferential basis as to allocation only, subject to the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares on the Main Board of the Stock Exchange and the Spin-off becoming unconditional, Qualifying CAG Shareholders are being invited to apply for an aggregate of 34,425,000

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Reserved Shares in the Preferential Offer, representing 10% and 9% of the Offer Shares available under the International Offer and Global Offering, respectively (assuming that the Over-allotment Option is not exercised) as Preferential Entitlement. The Reserved Shares are being offered out of the International Offer Shares under the International Offer and are not subject to reallocation.

With a view to maximising the percentage of Shares held by the public immediately after the Global Offering and to increase the number of Reserved Shares available for subscription by other Qualifying CAG Shareholders, Mr. Wong, a controlling shareholder of CAG, has indicated to CAG and our Company that he, and the companies controlled by him, will not take up any Reserved Shares to which he or the companies controlled by him would be entitled to apply for under the Preferential Offer. The Reserved Shares in which he or the companies controlled by him are entitled to apply for (representing approximately 73.3% of the expected number of Reserved Shares based on the number of CAG Shares in issue as at the Latest Practicable Date) will be available for excess application by other Qualifying CAG Shareholders under the Preferential Offer. In view of this, all of these excess Reserved Shares will be available for subscription by other Qualifying CAG Shareholders. As such, the number of Reserved Shares that other Qualifying CAG Shareholders can apply for, if they so choose, will be more than the basis of one Reserved Share for every integral multiple of 17 CAG Shares held.

The basis of the Preferential Entitlement is one Reserved Share for every integral multiple of 17 CAG Shares held by Qualifying CAG Shareholders as at 4:30 p.m. on the Record Date.

The Reserved Shares are being offered out of the International Offer Shares under the International Offer and are not subject to the reallocation as described in the paragraph headed “Structure of the Global Offering — The Hong Kong Public Offer — Reallocation” above.

Qualifying CAG Shareholders should note that Preferential Entitlement to Reserved Shares may not represent a number of a full board lot of 5,000 Shares. Further, the Reserved Shares allocated to the Qualifying CAG Shareholders will be rounded down to the closest whole number if required, and dealings in odd lots of the Shares may be at a price below the prevailing market price for full board lots.

Preferential Entitlement of Qualifying CAG Shareholders to Reserved Shares are not transferable and there will be no trading in nil-paid entitlements on the Stock Exchange.

Basis of allocation for applications for Reserved Shares

Qualifying CAG Shareholders may apply for a number of Reserved Shares which is greater than, less than or equal to their Preferential Entitlement under the Preferential Offer. A valid application for a number of Reserved Shares which is less than or equal to a Qualifying CAG Shareholder’s Preferential Entitlement under the Preferential Offer will be accepted in full, subject to the terms and conditions set out in the **BLUE** Application Form and assuming that the conditions of the Preferential Offer are satisfied.

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Where a Qualifying CAG Shareholder applies for a number of Reserved Shares which is greater than the Qualifying CAG Shareholder's Preferential Entitlement under the Preferential Offer, the relevant Preferential Entitlement will be satisfied in full (subject to the terms and conditions mentioned above) but the excess portion of such application will only be met to the extent that there are sufficient Available Reserved Shares (as defined below) resulting from other Qualifying CAG Shareholders declining to take up some or all of their Preferential Entitlement by way of allocation by the Sole Global Coordinator on a fair and reasonable basis. Such allocation basis is consistent with the allocation basis commonly used in the case of over-subscriptions in public offers in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications of excess Reserved Shares, and thereafter at the discretion of the Sole Global Coordinator, to other investors in the International Offer.

Qualifying CAG Shareholders who intend to apply for more than their Preferential Entitlement should either apply for a number which is one of the numbers set out in the table of numbers in the **BLUE** Application Form and make a payment of the corresponding amount, otherwise the applicant must calculate the correct amount of remittance payable on application for the number of Reserved Shares applied for by using the special formula set out in the **BLUE** Application Form.

To the extent that the excess applications for the Reserved Shares are:

- (a) less than the Reserved Shares not taken up by the Qualifying CAG Shareholders' Preferential Entitlement (the "**Available Reserved Shares**"), the Available Reserved Shares will first be allocated to satisfy such excess applications for the Reserved Shares in full and thereafter will be allocated, at the discretion of the Sole Global Coordinator, to the International Offer;
- (b) equal to the Available Reserved Shares, the Available Reserved Shares will be allocated to satisfy such excess applications for the Reserved Shares in full; or
- (c) more than the Available Reserved Shares, the Available Reserved Shares will be allocated on a fair and reasonable basis, which is consistent with the allocation basis commonly used in the case of over-subscriptions in public offers in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications of excess Reserved Shares. If there is an odd lot number of Shares left after satisfying the excess applications, such number of odd lot Shares will be reallocated, at the discretion of the Sole Global Coordinator, to the International Offer.

Save for the above, the Preferential Offer will not be subject to the clawback arrangement between the International Offer and the Hong Kong Public Offer.

Beneficial CAG Shareholders (not being Non-Qualifying CAG Shareholders) whose CAG Shares are held by a nominee company should note that our Company will regard the nominee company as a single CAG Shareholder according to the register of members of CAG. Accordingly, such Beneficial CAG Shareholders whose CAG Shares are held by a nominee company should note that the arrangement under paragraph (c) above will not apply to them individually.

STRUCTURE OF THE GLOBAL OFFERING

Applications by Qualifying CAG Shareholders for Hong Kong Offer Shares

In addition to any application for Reserved Shares made on a **BLUE** Application Form, Qualifying CAG Shareholders will be entitled to make one application for Hong Kong Offer Shares on **WHITE** or **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC via CCASS or through the **HK eIPO WHITE Form** service. Qualifying CAG Shareholders will receive no preference as to entitlement or allocation in respect of applications for Hong Kong Offer Shares made on **WHITE** or **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC or through the **HK eIPO WHITE Form** service under the Hong Kong Public Offer. Qualifying CAG Shareholders who are also Eligible Employees, may also apply for Employee Reserved Shares under the Employee Preferential Offer on **PINK** Application Forms.

Qualifying CAG Shareholders and Non-Qualifying CAG Shareholders

Only CAG Shareholders whose names appeared on the register of members of CAG at 4:30 p.m. on the Record Date, excluding the Non-Qualifying CAG Shareholders and directors of our Company and any of our subsidiaries, are entitled to subscribe for the Reserved Shares under the Preferential Offer.

Non-Qualifying CAG Shareholders are those CAG Shareholders with registered addresses in, or who are otherwise known by CAG to be residents of any of the Specified Territories.

Accordingly, for the purposes of the Preferential Offer, the Non-Qualifying CAG Shareholders are:

- (a) CAG Shareholders whose names appeared in the register of members of CAG at 4:30 p.m. on the Record Date and whose addresses as shown in such register are in any of the Specified Territories; and
- (b) CAG Shareholders or Beneficial CAG Shareholders whose names appeared in the register of members of CAG at 4:30 p.m. on the Record Date who are otherwise known by CAG to be resident in any of the Specified Territories.

Distribution of this Prospectus and the BLUE Application Forms

A **BLUE** Application Form, together with a printed copy of this prospectus has been despatched to each Qualifying CAG Shareholder at the address of such Qualifying CAG Shareholder recorded on the register of members of CAG as at 4:30 p.m. on the Record Date.

Qualifying CAG Shareholders may also obtain a printed copy of this prospectus during normal business hours from the Hong Kong Branch Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong or any of the designated branches of the receiving bank and the designated office of the Sole Global Coordinator as set out in the section headed "How to Apply for Hong Kong Offer Shares, Reserved Shares and Employee Reserved Shares" in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

Distribution of this prospectus and/or the **BLUE** Application Form(s) into any jurisdiction other than Hong Kong may be restricted by law. Persons into whose possession this prospectus and/or the **BLUE** Application Form(s) come (including, without limitation, agents, custodians, nominees and trustees) should inform themselves of, and observe, any such restriction. Any failure to comply with such restriction may constitute a violation of the securities laws of any such jurisdiction. In particular, this prospectus should not be distributed, forwarded or transmitted in, into or from any of the Specified Territories with or without the **BLUE** Application Form(s), except to Qualifying CAG Shareholders as specified in this prospectus.

Receipt of this prospectus and/or the **BLUE** Application Form(s) does not and will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this prospectus and/or the **BLUE** Application Form(s) must be treated as sent for information only and should not be copied or redistributed. Persons (including, without limitation, agents, custodians, nominees and trustees) who receive a copy of this prospectus and/or the **BLUE** Application Form(s) should not, in connection with the Preferential Offer, distribute or send the same in, into or from, any of the Specified Territories. If the **BLUE** Application Form is received by any person in any such territory, or by his/her/its agent or nominee, he/she/it should not apply for any Reserved Shares unless the directors of CAG and our Company determine that such actions would not violate applicable legal or regulatory requirements. Any person (including, without limitation, agents, custodians, nominees and trustees) who forwards this prospectus and/or the **BLUE** Application Form(s) in, into or from any Specified Territory (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this section.

Application procedures

The procedures for application under and the terms and conditions of the Preferential Offer are set out in the paragraph headed "How to Apply for Hong Kong Offer Shares, Reserved Shares and Employee Reserved Shares — 3. Applying for Hong Kong Offer Shares, Reserved Shares and Employee Reserved Shares" in this prospectus and on the **BLUE** Application Forms.

THE EMPLOYEE PREFERENTIAL OFFER

Of the 38,250,000 Offer Shares initially being offered under the Hong Kong Public Offer, 3,825,000 Offer Shares (representing 10% and 1% of the total number of Offer Shares initially being offered under the Hong Kong Public Offer and the Global Offering (assuming that the Over-allotment Option is not exercised), respectively) are available for subscription by the Eligible Employees on a preferential basis, subject to the terms and conditions set out in this prospectus and the **PINK** Application Forms.

The Employee Reserved Shares are being offered out of the Hong Kong Offer Shares and are not subject to the clawback mechanism as set out in the paragraph headed "The Hong Kong Public Offer — Reallocation" in this section.

As at 20 October 2015, there were a total of 1,248 persons eligible to apply for Employee Reserved Shares under the Employee Preferential Offer.

STRUCTURE OF THE GLOBAL OFFERING

Allocation of the Hong Kong Offer Shares under the Employee Preferential Offer will be based on the written guidelines distributed to the Eligible Employees which are consistent with the allocation guidelines contained in Practice Note 20 of the Listing Rules. The allocation of the Hong Kong Offer Shares under the Employee Preferential Offer will not be based on the identity, the seniority, the length of service or the work performance of the Eligible Employees. Eligible Employees applying for Employee Reserved Shares will be subject to an allocation basis that is based on the level of valid applications received. The allocation basis will be determined by our Company's Hong Kong Branch Share Registrar based on the level of valid applications received under the Employee Preferential Offer and the number of Employee Reserved Shares validly applied for within each application tier. The allocation basis will be consistent with the allocation basis commonly used in the case of over-subscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications of Employee Reserved Shares.

Any Hong Kong Offer Shares not subscribed for by the Eligible Employees under the Employee Preferential Offer will be available for subscription by the public in Hong Kong under the Hong Kong Public Offer after the reallocation as described above in the paragraph headed "The Hong Kong Public Offer" in this section.

If you are an Eligible Employee, in addition to being able to apply for Employee Reserved Shares under the Employee Preferential Offer by a **PINK** Application Form, you may also:

- apply for Hong Kong Offer Shares as a member of the public in the Hong Kong Public Offer; or
- apply for or indicate an interest for International Offer Shares under the International Offer,

but you may not do both (other than an application (if any) made on a **BLUE** Application Form in your capacity as a Qualifying CAG Shareholder). Eligible Employees will receive no preference as to entitlement or allocation in respect of such further application for Hong Kong Offer Shares or International Offer Shares.

NO OVERSEAS REGISTRATION

The documents issued and to be issued in connection with the Hong Kong Public Offer (including the Employee Preferential Offer) will not be registered under applicable securities legislation of any jurisdiction other than Hong Kong. Accordingly, no Employee Reserved Shares are being offered to Overseas Employees under the Employee Preferential Offer and no Application Forms will be sent to such persons. Applications will not be accepted from Overseas Employees or persons who are acting for the benefit of Overseas Employees.

STRUCTURE OF THE GLOBAL OFFERING

THE INTERNATIONAL OFFER

Number of Offer Shares initially offered

The International Offer will consist of an offering of initially 344,250,000 Offer Shares, representing 90% of the total number of Offer Shares initially available under the Global Offering.

Allocation

The International Offer will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offer will be effected in accordance with the “book-building” process described in the paragraph headed “Pricing and Allocation” below and based on a number of factors, including the level and timing of demand, the 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. Such allocation is intended to result in a distribution of the 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 the Shareholders as a whole.

The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offer and who has made an application under the Hong Kong Public Offer to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offer and to ensure that they are excluded from any allotment of Offer Shares under the Hong Kong Public Offer.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Offer may change as a result of the clawback arrangement described in the paragraph headed “The Hong Kong Public Offer — Reallocation” above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offer.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, our Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Sole Global Coordinator on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Sole Global Coordinator on behalf of the International Underwriters at any time during the 30-day period from the last day for lodging applications under the Hong Kong Public Offer,

STRUCTURE OF THE GLOBAL OFFERING

to require our Company to issue up to an aggregate of 57,375,000 Shares, representing 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offer to cover over-allocations in the International Offer, if any. If the Over-allotment Option is exercised, an announcement will be made.

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 securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilising Manager, or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising action. Such stabilising action, if taken, (i) will be conducted at the absolute discretion of the Stabilising Manager or any person acting for it and in what the Stabilising Manager reasonably regards as the best interest of our Company, (ii) may be discontinued at any time and (iii) is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offer.

Stabilisation action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimising any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares; (iii) purchasing, or agreeing to purchase, the 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 the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases; and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilising Manager or any person acting for it may, in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty as to the extent to which and the time or period for which the Stabilising Manager or any person acting for it will maintain such a long position;

STRUCTURE OF THE GLOBAL OFFERING

- liquidation of any such long position by the Stabilising Manager or any person acting for it and selling in the open market, may have an adverse impact on the market price of the Shares;
- no stabilising action can be taken to support the price of the Shares for longer than the stabilisation period, which will begin on the Listing Date, and is expected to expire on 4 December 2015, being the 30th day after the last day for lodging applications under the Hong Kong Public Offer. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and
- stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilisation period.

Over-allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilising Manager or any person acting for it may cover such over-allocations by, among others, exercising the Over-allotment Option in full or in part. By using Shares purchased by the Stabilising Manager or any person acting for it in the secondary market at prices that do not exceed the Offer Price or through the stock borrowing arrangement as detailed below or a combination of these means. Any such purchases will be made in accordance with the laws, rules, and regulations in place in Hong Kong, including in relation to stabilisation, the Securities and Futures (Price Stabilizing) Rules, as amended and supplemented to from time to time made under the SFO. The number of Shares which can be over-allocated will not exceed 57,375,000 Shares, representing 15% of the Offer Shares initially available under the Global Offering.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilising Manager or any person acting for it may choose to borrow up to 57,375,000 Shares (being the maximum number of Shares which may be issued pursuant to the exercise of the Over-allotment Option) from CAG pursuant to the Stock Borrowing Agreement, which is expected to be entered into between the Stabilising Manager (or any person acting for it) and CAG on or about Wednesday, 4 November 2015, or acquire Shares from other sources, including exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price.

STRUCTURE OF THE GLOBAL OFFERING

If such stock borrowing arrangement with CAG is entered into, it will only be effected by the Stabilising Manager or any person acting for it for the settlement of over-allocations in the International Offer 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, being that the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Offer, are complied with.

The same number of Shares so borrowed must be returned to CAG or its nominees, as the case may be, on or before the third business day following the earlier of (i) the last day on which the Over-allotment Option may be exercised and (ii) the day on which the Over-allotment Option is exercised in full.

The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to CAG by the Stabilising Manager or any person acting for it in relation to such stock borrowing arrangement.

PRICING AND ALLOCATION

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about Wednesday, 4 November 2015 and, in any event, not later than Monday, 9 November 2015, by agreement between the Sole Global Coordinator (on behalf of the Underwriters) and our Company, and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$0.66 per Offer Share and is expected to be not less than HK\$0.50 per Offer Share unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offer must pay, on application, the maximum Offer Price of HK\$0.66 per Offer Share plus brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK\$3,333.26 for one board lot of 5,000 Shares. 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 Offer Price range stated in this prospectus.

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offer. Prospective professional, institutional and other investors will be required to specify the number of Offer Shares under the International Offer they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offer.

The Sole Global Coordinator (on behalf of the Underwriters) may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offer, and with the consent of our Company, reduce the number of Offer Shares offered and/or the Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offer.

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In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offer, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) notices of the reduction. Upon the issue of such a notice, the revised number of Offer Shares and/or the Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Sole Global Coordinator (on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range. Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offer.

In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Sole Global Coordinator (on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The final Offer Price, the level of indications of interest in the International Offer, the level of applications in the Hong Kong Public Offer, the Preferential Offer and the Employee Preferential Offer, the basis of allocation of the Hong Kong Offer Shares, the Reserved Shares and the Employee Reserved Shares and the results of allocations in the Hong Kong Public Offer, the Preferential Offer and the Employee Preferential Offer are expected to be made available through a variety of channels in the manner described in the paragraph headed “How to Apply for Hong Kong Offer Shares, Reserved Shares and Employee Reserved Shares — 11. Publication of Results” in this prospectus.

UNDERWRITING

The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to our Company and the Sole Global Coordinator (on behalf of the Underwriters) agreeing on the Offer Price.

Our Company expects to enter into the International Underwriting Agreement relating to the International Offer on or about the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarised in the section headed “Underwriting” in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

- (i) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue, the Offer Shares to be issued pursuant to the Global Offering (including any Shares to be issued upon the exercise of the Over-allotment Option) on the Main Board of the Stock Exchange;

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- (ii) the Offer Price having been agreed between our Company and the Sole Global Coordinator (on behalf of the Underwriters);
- (iii) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and
- (iv) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (on behalf of the Underwriters) on or before Monday, 9 November 2015, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offer and the International Offer is conditional upon, among others, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offer will be published by our Company in the South China Morning Post (in English), the Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.chinneykinwing.com.hk on the next day following such lapse. In such situation, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Hong Kong Offer Shares, Reserved Shares and Employee Reserved Shares” in this prospectus. In the meantime, all 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).

Share certificates for the Offer Shares will only become valid at 8:00 a.m. on Wednesday, 11 November 2015 provided that (i) the Global Offering has become unconditional in all respects; and (ii) the right of termination as described in the section headed “Underwriting” in this prospectus has not been exercised.

STRUCTURE OF THE GLOBAL OFFERING

DEALING

Assuming that the Hong Kong Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 11 November 2015, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, 11 November 2015.

The Shares will be traded in board lots of 5,000 Shares each. The stock code of the Shares will be 1556.

HOW TO APPLY FOR HONG KONG OFFER SHARES, RESERVED SHARES AND EMPLOYEE RESERVED SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

If you are a Qualifying CAG Shareholder holding 17 or more CAG Shares as at 4:30 p.m. on the Record Date, you are also entitled to apply on the basis of an Preferential Entitlement of one Reserved Share for every integral multiple of 17 CAG Shares held by you as at 4:30 p.m. on the Record Date under the Preferential Offer by using a **BLUE** Application Form.

If you are an Eligible Employee, you may also apply for Employee Reserved Shares by using a **PINK** Application Form. In addition, Eligible Employees may also apply for Hong Kong Offer Shares under the Hong Kong Public Offer or apply for or indicate an interest for International Offer Shares under the International Offer, but may not do both (other than an application to subscribe for Reserved Shares under the Preferential Offer).

Save as being a Qualifying CAG Shareholder or an Eligible Employee, 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 Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong 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;

HOW TO APPLY FOR HONG KONG OFFER SHARES, RESERVED SHARES AND EMPLOYEE RESERVED SHARES

- are outside the United States, and are not a United States Person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also (i) have a valid Hong Kong identity card number; and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- are a Director or chief executive officer of our Company and/or any of its subsidiaries;
- are an associate (as defined in the Listing Rules) of any of the above;
- are a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for or indicated an interest in any International Offer Shares or otherwise participate in the International Offer, except in respect of Reserved Shares under the Preferential Offer.

You can apply for Reserved Shares on a **BLUE** Application Form if you or the person(s) for whose benefit you are applying are a Qualifying CAG Shareholder holding 17 or more CAG Shares as at 4:30 p.m. on the Record Date.

HOW TO APPLY FOR HONG KONG OFFER SHARES, RESERVED SHARES AND EMPLOYEE RESERVED SHARES

Eligible Employees may apply for the Employee Reserved Shares on a **PINK** Application Form unless they:

- are an existing beneficial owner of Shares in our Company or an associate (as defined in the Listing Rules) of an existing beneficial owner of Shares in our Company;
- are a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon the completion of the Global Offering;
- are a natural person of the PRC;
- are a United States person or a person who is within the United States (both terms as defined under the Regulation S).

3. APPLYING FOR HONG KONG OFFER SHARES, RESERVED SHARES AND EMPLOYEE RESERVED SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.hkeipo.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

For Reserved Shares under the Preferential Offer by a Qualifying CAG Shareholder, use a **BLUE** Application Form.

For Employee Reserved Shares under the Employee Preferential Offer by an Eligible Employee, use a **PINK** Application Form.

HOW TO APPLY FOR HONG KONG OFFER SHARES, RESERVED SHARES AND EMPLOYEE RESERVED SHARES

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Friday, 30 October 2015 to 12:00 noon on Wednesday, 4 November 2015 from:

- (i) any of the following offices of the Hong Kong Underwriters:

Haitong International Securities Company Limited

22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Gransing Securities Co., Limited

805-806, Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

Fortune (HK) Securities Limited

35/F, Office Tower, Convention Plaza
No. 1 Harbour Road
Wanchai
Hong Kong

- (ii) any of the following branches of the receiving bank:

The Bank of East Asia, Limited	Branch	Address
Hong Kong Island	Main Branch	10 Des Voeux Road Central, Central
	Wanchai Branch	Shop A-C, G/F, Easey Commercial Building, 253-261 Hennessy Road, Wanchai
	Chai Wan Branch	345 Chai Wan Road, Chai Wan
	Quarry Bay Branch	Shop G2-G4, G/F, Fok Cheong Building, 1032-1044 King's Road, Quarry Bay
Kowloon	Mongkok Branch	638-640 Nathan Road, Mongkok
	Kwun Tong Branch	7 Hong Ning Road, Kwun Tong
	East Tsim Sha Tsui Branch	Shop G3-G5, G/F, East Ocean Centre, 98 Granville Road, Tsim Sha Tsui

HOW TO APPLY FOR HONG KONG OFFER SHARES, RESERVED SHARES AND EMPLOYEE RESERVED SHARES

<u>The Bank of East Asia, Limited</u>	<u>Branch</u>	<u>Address</u>
New Territories	Tai Wai Branch	Cheung Fung Mansion, 16-18 Tai Wai Road, Shatin
	Tsuen Wan Branch	239-243 Sha Tsui Road, Tsuen Wan
	Metro City Plaza Branch	Shop 243, Level 2, Metro City Plaza I, 1 Wan Hang Road, Tseung Kwan O

You can collect a **YELLOW** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Friday, 30 October 2015 until 12:00 noon on Wednesday, 4 November 2015, from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

The **Blue** Application Form has been despatched, if you are a Qualifying CAG Shareholder with Preferential Entitlement, to your address recorded on the register of members of CAG at 4:30 p.m. on the Record Date, together with a printed copy of this prospectus. An electronic copy of this prospectus (which is identical to the printed prospectus) can be accessed and downloaded from the websites of our Company at www.chinneykinwing.com.hk and the Stock Exchange at www.hkexnews.hk.

Persons who hold their CAG Shares in CCASS indirectly through a broker/custodian, and wish to participate in the Preferential Offer, should instruct their broker or custodian to apply for the Reserved Shares on their behalf by no later than the deadline set by HKSCC or HKSCC Nominees. In order to meet the deadline set by HKSCC, such persons should check with their broker or custodian for the timing on the processing of their instructions, and submit their instructions to the broker or custodian as required by them. Persons who hold the CAG shares in CCASS directly as a CCASS Investor Participant, and wish to participate in the Preferential Offer, should give their instructions to HKSCC via the CCASS Phone System or CCASS internet System no later than the deadline set by HKSCC or HKSCC Nominees.

Qualifying CAG Shareholders who require a replacement **BLUE** Application Form should contact Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong or on its hotline at 2980 1333.

A **PINK** Application Form together with a copy of this prospectus can be collected by Eligible Employees from our Company's headquarters at Room 2308, 23/F., Wing On Centre, 111 Connaught Road Central, Hong Kong during normal business hours from 9:00 a.m. on Friday, 30 October 2015 until 12:00 noon on Tuesday, 3 November 2015. Electronic copies of the **PINK** Application Form and this prospectus can be viewed from the websites of our Company at www.chinneykinwing.com.hk and the Stock Exchange at www.hkexnews.hk.

HOW TO APPLY FOR HONG KONG OFFER SHARES, RESERVED SHARES AND EMPLOYEE RESERVED SHARES

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "The Bank of East Asia (Nominees) Limited — Chinney Kin Wing 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:

Friday, 30 October 2015 : 9:00 a.m. to 5:00 p.m.
Saturday, 31 October 2015 : 9:00 a.m. to 1:00 p.m.
Monday, 2 November 2015 : 9:00 a.m. to 5:00 p.m.
Tuesday, 3 November 2015 : 9:00 a.m. to 5:00 p.m.
Wednesday, 4 November 2015 : 9:00 a.m. to 12:00 noon

Your completed **BLUE** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "The Bank of East Asia (Nominees) Limited — Chinney Kin Wing Preferential Offer" for the payment, should be deposited in the special collection boxes at Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong at the following times:

Friday, 30 October 2015 : 9:00 a.m. to 5:00 p.m.
Saturday, 31 October 2015 : 9:00 a.m. to 1:00 p.m.
Monday, 2 November 2015 : 9:00 a.m. to 5:00 p.m.
Tuesday, 3 November 2015 : 9:00 a.m. to 5:00 p.m.
Wednesday, 4 November 2015 : 9:00 a.m. to 12:00 noon

Your completed **PINK** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "The Bank of East Asia (Nominees) Limited — Chinney Kin Wing Public Offer" for the payment, must be returned to our Company's headquarters at Room 2308, 23/F., Wing On Centre, 111 Connaught Road Central, Hong Kong by 12:00 noon on Tuesday, 3 November 2015.

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 4 November 2015, the last application day or such later time as described in the paragraph headed "10. Effect of Bad Weather on the Opening of the Application Lists" in this section below.

HOW TO APPLY FOR HONG KONG OFFER SHARES, RESERVED SHARES AND EMPLOYEE RESERVED SHARES

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Forms carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you (or if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Global Coordinator (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 Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Bye-laws;
- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Bye-laws;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering as set out in this prospectus;
- (vi) agree that none of the Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offer nor participated in the International Offer, except in respect of Reserved Shares applied under the Preferential Offer;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Sole Global Coordinator, 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;

**HOW TO APPLY FOR HONG KONG OFFER SHARES,
RESERVED SHARES AND EMPLOYEE RESERVED SHARES**

- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Global Coordinator, 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;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong 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 Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Hong Kong branch share register as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying except in respect of Reserved Shares applied under the Preferential Offer and/or Employee Reserved Shares applied under the Employee Preferential Offer;
- (xvii) understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

HOW TO APPLY FOR HONG KONG OFFER SHARES, RESERVED SHARES AND EMPLOYEE RESERVED SHARES

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **HK eIPO White Form Service Provider** by you or by anyone as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as his agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

Terms, conditions and instructions for the BLUE Application Form

You may refer to the **BLUE** Application Form for details.

Terms, conditions and instructions for the PINK Application Form

You may refer to the **PINK** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in the paragraph headed “2. Who Can Apply” in this section above, may apply through the **HK eIPO White Form** service for the Hong Kong Offer Shares to be allotted and registered in their own names through the designated website at www.hkeipo.hk.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 30 October 2015, until 11:30 a.m. on Wednesday, 4 November 2015, and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 4 November 2015, or such later time as specified in the paragraph headed “10. Effect of Bad Weather on the Opening of the Application Lists” in this section below.

HOW TO APPLY FOR HONG KONG OFFER SHARES, RESERVED SHARES AND EMPLOYEE RESERVED SHARES

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square,
8 Connaught Place
Central
Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES, RESERVED SHARES AND EMPLOYEE RESERVED SHARES

and complete an input request form.

You can also collect a copy of this prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offer, except in respect of Reserved Shares under the Preferential Offer;
 - declare that only one set of electronic application instructions has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as his agent;
 - confirm that you understand that our Company, our Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

HOW TO APPLY FOR HONG KONG OFFER SHARES, RESERVED SHARES AND EMPLOYEE RESERVED SHARES

- authorise the Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, other than as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Global Coordinator, the Underwriters and/or their respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offer results;

HOW TO APPLY FOR HONG KONG OFFER SHARES, RESERVED SHARES AND EMPLOYEE RESERVED SHARES

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by our acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Bye-laws; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage fee, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage fee, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 5,000 Hong Kong Offer Shares. Instructions for more than 5,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the relevant Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

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Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

Friday, 30 October 2015 : 9:00 a.m. to 8:30 p.m. ⁽¹⁾
Monday, 2 November 2015 : 8:00 a.m. to 8:30 p.m. ⁽¹⁾
Tuesday, 3 November 2015 : 8:00 a.m. to 8:30 p.m. ⁽¹⁾
Wednesday, 4 November 2015 : 8:00 a.m. ⁽¹⁾ to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Friday, 30 October 2015, until 12:00 noon on Wednesday, 4 November 2015 (24 hours daily, except from 3:00 a.m. on Saturday, 31 October 2015 until 12:00 noon on Sunday, 1 November 2015 and the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Wednesday, 4 November 2015, the last application day or such later time as described in the paragraph headed “10. Effect of Bad Weather on the Opening of the Application Lists” in this section below.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

HOW TO APPLY FOR HONG KONG OFFER SHARES, RESERVED SHARES AND EMPLOYEE RESERVED SHARES

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, the Directors, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner and the Underwriters and their respective advisers and agents take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will respectively be allotted any Hong Kong Offer Shares, Reserved Shares and Employee Reserved Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Wednesday, 4 November 2015.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

HOW TO APPLY FOR HONG KONG OFFER SHARES, RESERVED SHARES AND EMPLOYEE RESERVED SHARES

“*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).

If you are a Qualifying CAG Shareholder applying for Reserved Shares under the Preferential Offer on a **BLUE** Application Form, you may also make one application for Hong Kong Offer Shares either on a **WHITE** or **YELLOW** Application Form or electronically through CCASS (if you are a CCASS Investor Participant or act through a CCASS Clearing Participant or a CCASS Custodian Participant) or submit an application through the designated website at www.hkeipo.hk. However, in respect of any application for Hong Kong Offer Shares, you will not enjoy the preferential treatment accorded to you under the Preferential Offer as described in the paragraph headed “Structure of the Global Offering — The Preferential Offer” in this prospectus. Qualifying CAG Shareholders who are also Eligible Employees may also apply for Employee Reserved Shares under the Employee Preferential Offer on **PINK** Application Forms.

If you are an Eligible Employee, you may also make an application for Employee Reserved Shares by using a **PINK** Application Form. Only one application for Employee Reserved Shares is permitted per Eligible Employee under the Employee Preferential Offer. Multiple applications by any Eligible Employee are liable to be rejected. In addition, Eligible Employees may also apply for Hong Kong Offer Shares under the Hong Kong Public Offer or apply for or indicate an interest for International Offer Shares under the International Offer but may not do both (other than an application to subscribe for Reserved Shares under the Preferential Offer).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES, RESERVED SHARES AND EMPLOYEE RESERVED SHARES

The **WHITE**, **YELLOW**, **BLUE** and **PINK** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage fee, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

HOW TO APPLY FOR HONG KONG OFFER SHARES, RESERVED SHARES AND EMPLOYEE RESERVED SHARES

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 5,000 Hong Kong Offer Shares and (i) if you are a Qualifying CAG Shareholder at the same time, you may also submit an application using a **BLUE** Application Form; (ii) if you are an Eligible Employee at the same time, you may also submit an application using a **PINK** Application Form. Each application or electronic application instruction in respect of more than 5,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the relevant Application Form, or as otherwise specified on the designated website at www.hkeipo.hk.

If your application is successful, brokerage fee will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the paragraph headed “Structure of the Global Offering — Pricing and Allocation” in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 4 November 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 anytime between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, 4 November 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.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offer, the level of applications in the Hong Kong Public Offer, the Preferential Offer and the Employee Preferential Offer and the basis of allocation of the Hong Kong Offer Shares, the Reserved Shares and the Employee Reserved Shares on Tuesday, 10 November 2015 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on our Company’s website at www.chinneykinwing.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

HOW TO APPLY FOR HONG KONG OFFER SHARES, RESERVED SHARES AND EMPLOYEE RESERVED SHARES

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offer, the Preferential Offer and the Employee Preferential 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.chinneykinwing.com.hk and the Stock Exchange's website at www.hkexnews.hk by no later than 9:00 a.m. on Tuesday, 10 November 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 Tuesday, 10 November 2015, to 12:00 midnight on Monday, 16 November 2015;
- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, 10 November 2015, to Friday, 13 November 2015; and
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 10 November 2015, to Thursday, 12 November 2015, at all the receiving bank branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares, the Reserved Shares and/or the Employee Reserved Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering" 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.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares, the Reserved Shares and/or the Employee Reserved Shares will not be allotted to you:

(i) **If your application is revoked:**

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

HOW TO APPLY FOR HONG KONG OFFER SHARES, RESERVED SHARES AND EMPLOYEE RESERVED SHARES

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares, Reserved Shares and Employee Reserved Shares is void:

The allotment of Hong Kong Offer Shares, Reserved Shares and Employee Reserved Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;

HOW TO APPLY FOR HONG KONG OFFER SHARES, RESERVED SHARES AND EMPLOYEE RESERVED SHARES

- your electronic application instructions through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application under the Hong Kong Public Offer is for more than 17,210,000 Hong Kong Offer Shares.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.66 per Offer Share (excluding brokerage fee, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offer are not fulfilled in accordance with the paragraph headed "Structure of the Global Offering — Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage fee, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Tuesday, 10 November 2015.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below), one share certificate for all Reserved Shares allotted to you under the Preferential Offer and one share certificate for all Employee Reserved Shares allotted to you under the Employee Preferential Offer.

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE, YELLOW, BLUE** and/or **PINK** 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 Hong Kong Offer Shares, Reserved Shares and/or Employee Reserved Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

HOW TO APPLY FOR HONG KONG OFFER SHARES, RESERVED SHARES AND EMPLOYEE RESERVED SHARES

- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, Reserved Shares and/or Employee Reserved 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 fee, 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 Tuesday, 10 November 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).

Share certificates will only become valid at 8:00 a.m. on Wednesday, 11 November 2015, provided that the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised and the Global Offering has become unconditional. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If You Apply Using a WHITE, BLUE or PINK Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares or 1,000,000 or more Reserved Shares or 1,000,000 or more Employee Reserved 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 at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 10 November 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.

HOW TO APPLY FOR HONG KONG OFFER SHARES, RESERVED SHARES AND EMPLOYEE RESERVED SHARES

If you apply for less than 1,000,000 Hong Kong Offer Shares or less than 1,000,000 Reserved Shares or less than 1,000,000 Employee Reserved Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Tuesday, 10 November 2015, by ordinary post and at your own risk.

(ii) If You Apply Using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions for collection of your refund cheque(s) as described in (i) above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Tuesday, 10 November 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 Tuesday, 10 November 2015 or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)

For Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offer in the manner described in the paragraph headed "11. Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 10 November 2015 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If You Apply through the HK eIPO White Form service

If you apply for 1,000,000 or more Hong Kong Offer Shares and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Branch Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 10 November 2015 or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

HOW TO APPLY FOR HONG KONG OFFER SHARES, RESERVED SHARES AND EMPLOYEE RESERVED SHARES

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Tuesday, 10 November 2015 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If You Apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of share certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, 10 November 2015 or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offer in the manner specified in the paragraph headed "11. Publication of Results" above on Tuesday, 10 November 2015. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 10 November 2015. or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

HOW TO APPLY FOR HONG KONG OFFER SHARES, RESERVED SHARES AND EMPLOYEE RESERVED SHARES

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, 10 November 2015. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage fee, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 10 November 2015.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is a text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.



22/F, CITIC Tower,
1 Tim Mei Avenue,
Central, Hong Kong

30 October 2015

The Directors
Chinney Kin Wing Holdings Limited
Haitong International Capital Limited

Dear Sirs,

We set out below our report on the financial information of Chinney Kin Wing Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) comprising the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for each of the years ended 31 December 2012, 2013 and 2014 and the four-month period ended 30 April 2015 (the “Track Record Period”), and the combined statements of financial position of the Group as at 31 December 2012, 2013 and 2014 and 30 April 2015, together with the notes thereto (the “Financial Information”), and the combined statement of profit or loss and other comprehensive income, combined statement of changes in equity and combined statement of cash flows of the Group for the four-month period ended 30 April 2014 (the “Interim Comparative Information”), prepared on the basis of presentation set out in note 2.1 of Section II below, for inclusion in the prospectus of the Company dated 30 October 2015 (the “Prospectus”) in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated in Bermuda as a company with limited liability on 29 May 2015. Pursuant to a group reorganisation (the “Reorganisation”) as more fully explained in the paragraph headed “History and Corporate Structure — Our Reorganisation” in the Prospectus, the Company became the holding company of the subsidiaries now comprising the Group. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, no statutory financial statements have been prepared for the Company, as it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. All companies now comprising the Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now

comprising the Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries or jurisdictions in which they were incorporated and/or established. Details of their statutory auditors during the Track Record Period are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Company (the “Directors”) have prepared the combined financial statements of the Group (the “Underlying Financial Statements”) in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The Underlying Financial Statements for each of the years ended 31 December 2012, 2013 and 2014 and the four-month period ended 30 April 2015 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

Directors’ responsibility

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with HKFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information 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. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2.1 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Group as at 31 December 2012, 2013 and 2014 and 30 April 2015 and of the combined results and cash flows of the Group for each of the Track Record Period.

Review conclusion in respect of the Interim Comparative Information

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

(A) COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 December			Four-month period ended 30 April	
		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>
						<i>(Unaudited)</i>
REVENUE	5	1,048,694	1,178,324	1,381,489	481,516	599,825
Cost of sales		(884,714)	(982,683)	(1,103,437)	(406,624)	(467,505)
Gross profit		163,980	195,641	278,052	74,892	132,320
Other income and gains	5	3,259	6,268	4,081	401	119
Administrative expenses		(123,571)	(134,764)	(166,530)	(47,473)	(62,923)
Finance costs	7	(1,219)	(598)	(75)	(14)	—
PROFIT BEFORE TAX	6	42,449	66,547	115,528	27,806	69,516
Income tax expense	10	(9,063)	(7,726)	(16,938)	(4,783)	(11,439)
PROFIT FOR THE YEAR/ PERIOD AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		<u>33,386</u>	<u>58,821</u>	<u>98,590</u>	<u>23,023</u>	<u>58,077</u>

(B) COMBINED STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	As at 31 December			As at
		2012	2013	2014	30 April
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS					
Property, plant and equipment	13	167,267	230,080	269,586	306,975
Deferred tax assets	24	3,300	1,835	1,952	2,470
Total non-current assets		<u>170,567</u>	<u>231,915</u>	<u>271,538</u>	<u>309,445</u>
CURRENT ASSETS					
Inventories	14	2,199	3,586	3,103	2,391
Gross amount due from contract customers	15	58,912	79,059	43,067	34,190
Trade receivables	16	101,420	138,648	189,213	247,084
Retention monies receivables	15	80,675	105,806	164,425	176,010
Prepayments, deposits and other receivables	17	11,944	15,212	19,068	21,271
Due from the Remaining Group	21	39,668	22,606	21,962	21,962
Tax recoverable		1,257	7,048	—	—
Pledged deposits	18	8,834	6,751	11,755	13,488
Cash and cash equivalents	18	63,865	136,648	155,254	209,852
Total current assets		<u>368,774</u>	<u>515,364</u>	<u>607,847</u>	<u>726,248</u>
CURRENT LIABILITIES					
Gross amount due to contract customers	15	136,775	290,505	420,221	513,269
Trade payables	19	106,177	125,090	126,790	131,000
Retention monies payables	15	18,912	23,853	26,090	28,567
Other payables and accruals	20	19,314	29,989	39,334	25,969
Due to the Remaining Group	21	16,709	21,519	96	—
Tax payable		4,950	785	9,579	19,975
Obligations under finance leases	22	13,410	—	—	—
Interest-bearing bank borrowings	23	4,800	2,400	—	—
Total current liabilities		<u>321,047</u>	<u>494,141</u>	<u>622,110</u>	<u>718,780</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>47,727</u>	<u>21,223</u>	<u>(14,263)</u>	<u>7,468</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
		<u>218,294</u>	<u>253,138</u>	<u>257,275</u>	<u>316,913</u>
NON-CURRENT LIABILITIES					
Obligations under finance leases	22	7,768	—	—	—
Deferred tax liabilities	24	22,915	27,706	33,753	35,314
Total non-current liabilities		<u>30,683</u>	<u>27,706</u>	<u>33,753</u>	<u>35,314</u>
Net assets		<u>187,611</u>	<u>225,432</u>	<u>223,522</u>	<u>281,599</u>
EQUITY					
Issued capital	25	—	—	—	—
Reserves		187,611	225,432	223,522	281,599
Total equity		<u>187,611</u>	<u>225,432</u>	<u>223,522</u>	<u>281,599</u>

(C) COMBINED STATEMENTS OF CHANGES IN EQUITY

	<u>Issued capital</u>	<u>Merger reserve*</u>	<u>Retained profits*</u>	<u>Total equity</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2012	—	20,002	163,723	183,725
Profit for the year and total comprehensive income for the year	—	—	33,386	33,386
Interim dividend paid	—	—	<u>(29,500)</u>	<u>(29,500)</u>
At 31 December 2012 and 1 January 2013	—	20,002	167,609	187,611
Profit for the year and total comprehensive income for the year	—	—	58,821	58,821
Interim dividend paid	—	—	<u>(21,000)</u>	<u>(21,000)</u>
At 31 December 2013 and 1 January 2014	—	20,002	205,430	225,432
Profit for the year and total comprehensive income for the year	—	—	98,590	98,590
Interim dividend paid	—	—	<u>(100,500)</u>	<u>(100,500)</u>
At 31 December 2014 and 1 January 2015	—	20,002	203,520	223,522
Profit for the period and total comprehensive income for the period	—	—	<u>58,077</u>	<u>58,077</u>
At 30 April 2015	<u>—</u>	<u>20,002</u>	<u>261,597</u>	<u>281,599</u>
<i>(Unaudited)</i>				
At 1 January 2014	—	20,002	205,430	225,432
Profit for the period and total comprehensive income for the period	—	—	<u>23,023</u>	<u>23,023</u>
At 30 April 2014	<u>—</u>	<u>20,002</u>	<u>228,453</u>	<u>248,455</u>

* These reserve accounts comprise the combined reserves of HK\$187,611,000, HK\$225,432,000, HK\$223,522,000 and HK\$281,599,000 in the combined statements of financial position as at 31 December 2012, 2013 and 2014 and 30 April 2015, respectively.

The merger reserve of the Group represents the capital contributions from the equity holders of a subsidiary now comprising the Group before the completion of the Reorganisation.

(D) COMBINED STATEMENTS OF CASH FLOWS

	<i>Notes</i>	Year ended 31 December			Four-month period ended 30 April	
		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>
						<i>(Unaudited)</i>
CASH FLOWS FROM						
OPERATING ACTIVITIES						
Profit before tax		42,449	66,547	115,528	27,806	69,516
Adjustments for:						
Finance costs	7	1,219	598	75	14	—
Interest income	5	(216)	(979)	(2,612)	(214)	(28)
Depreciation	6	21,510	27,488	35,307	10,963	14,504
Loss/(gain) on disposal of items of property, plant and equipment	6	1,430	(2,698)	(404)	6	288
		66,392	90,956	147,894	38,575	84,280
Decrease/(increase) in inventories		4,965	(1,387)	483	1,518	712
Decrease/(increase) in gross amount due from contract customers		(26,864)	(19,316)	36,435	56,198	9,043
Decrease/(increase) in trade receivables		9,024	(37,228)	(50,565)	31,735	(57,871)
Increase in retention monies receivables		(24,691)	(25,131)	(58,619)	(26,742)	(11,585)
Increase in prepayments, deposits and other receivables		(1,527)	(3,267)	(3,856)	(69)	(2,203)
Increase in gross amount due to contract customers		74,112	153,730	129,716	78,505	93,048
Increase/(decrease) in trade payables		6,324	18,913	1,700	(49,348)	4,210
Increase in retention monies payables		4,518	4,941	2,237	1,349	2,477
Increase/(decrease) in other payables and accruals		5,285	10,675	9,345	(5,635)	(13,365)
Net movement in balances with the Remaining Group		16,242	15,871	(20,779)	(47,511)	(96)
Cash generated from operations		133,780	208,757	193,991	78,575	108,650
Hong Kong profits tax refunded/(paid), net		(382)	(11,426)	4,834	—	—
Net cash flows from operating activities		133,398	197,331	198,825	78,575	108,650

APPENDIX I
ACCOUNTANTS' REPORT

	<i>Notes</i>	Year ended 31 December			Four-month period ended 30 April	
		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>
						<i>(Unaudited)</i>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received		216	979	2,612	214	28
Purchases of items of property, plant and equipment	13	(50,965)	(96,664)	(75,688)	(18,625)	(52,347)
Proceeds from disposal of items of property, plant and equipment		—	8,230	836	361	—
Decrease/(increase) in pledged deposits		(2,180)	2,083	(5,004)	(227)	(1,733)
Net movement in balances with the Remaining Group		(6,000)	6,000	—	—	—
Net cash flows used in investing activities		<u>(58,929)</u>	<u>(79,372)</u>	<u>(77,244)</u>	<u>(18,277)</u>	<u>(54,052)</u>
CASH FLOWS FROM FINANCING ACTIVITIES						
Interest element on finance lease rental payments	7	(1,031)	(500)	—	—	—
Interest paid	7	(188)	(98)	(75)	(14)	—
Repayment of bank loans		(3,260)	(2,400)	(2,400)	(600)	—
Capital element of finance lease rental payments		(9,777)	(21,178)	—	—	—
Dividend paid		<u>(29,500)</u>	<u>(21,000)</u>	<u>(100,500)</u>	—	—
Net cash flows used in financing activities		<u>(43,756)</u>	<u>(45,176)</u>	<u>(102,975)</u>	<u>(614)</u>	—
NET INCREASE IN CASH AND CASH EQUIVALENTS		30,713	72,783	18,606	59,684	54,598
Cash and cash equivalents at beginning of year/period		<u>33,152</u>	<u>63,865</u>	<u>136,648</u>	<u>136,648</u>	<u>155,254</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		<u>63,865</u>	<u>136,648</u>	<u>155,254</u>	<u>196,332</u>	<u>209,852</u>

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Bermuda on 29 May 2015. The registered office of the Company is located at Claredon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company is located at Room 2308, 23/F, Wing On Centre, 111 Connaught Road Central, Hong Kong.

The Company is an investment holding company. During the Track Record Period, the Company's subsidiaries were principally involved in foundation piling construction, and drilling and site investigation works for both public and private sectors in Hong Kong and Macau (the "Foundation Business").

In the opinion of the directors of the Company, Chinney Alliance Group Limited ("CAGL"), a company incorporated in Bermuda with limited liability and listed on The Stock Exchange of Hong Kong Limited, is the ultimate holding company of the Company.

For the purpose of the Financial Information, the Company and its subsidiaries are hereinafter collectively referred to as the "Group"; whereas CAGL and its subsidiaries, but excluding the Group, are collectively referred to as the "Remaining Group".

Prior to the incorporation of the Company, the Foundation Business was carried out by certain subsidiaries of CAGL. In order to rationalise the current structure of the Group, the Company underwent the Reorganisation to acquire the shares of Kin Wing Chinney (BVI) Limited which is the then holding company of the companies now comprising the Group on 15 October 2015. Details of the Reorganisation are set out in the paragraph headed "History and Corporate Structure — Our Reorganisation" in the Prospectus.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place of incorporation/ registration and business	Issued ordinary /registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Kin Wing Chinney (BVI) Limited (b)	British Virgin Islands	US\$208	100%	—	Investment holding
DrilTech Geotechnical Engineering Limited (a)	Hong Kong	HK\$10,000	—	100%	Drilling, site investigation and related ground engineering construction

Name	Place of incorporation/ registration and business	Issued ordinary /registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
DrilTech Ground Engineering Limited (a)	Hong Kong	HK\$12,500,000	—	100%	Drilling, site investigation and related ground engineering construction
DrilTech Ground Engineering (Macau) Limited (b)	Macau	MOP1,000,000	—	100%	Drilling, site investigation and related ground engineering construction
Kin Wing Engineering Company Limited (a)	Hong Kong	HK\$20,000,000	—	100%	Foundation piling
Kin Wing Foundations Limited (a)	Hong Kong	HK\$10,000	—	100%	Foundation piling
Kin Wing Machinery & Transportation Limited (a)	Hong Kong	HK\$100	—	100%	Equipment and machinery leasing
Kinwing Engineering (Macau) Company Limited (b)	Macau	MOP1,000,000	—	100%	Foundation piling

Notes:

- (a) The statutory financial statements for the years ended 31 December 2012, 2013 and 2014 prepared under HKFRSs were audited by Ernst & Young, Hong Kong.
- (b) No audited financial statements have been prepared for these entities since their incorporation as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully explained in the paragraph headed “History and Corporate Structure — Our Reorganisation” in the Prospectus, the Company became the holding company of Kin Wing Chinney (BVI) Limited, the then holding company of the Group subsequent to the end of the Track Record Period on 15 October 2015. As the Reorganisation only involved insertion of a new holding company at the top of an existing holding company and has not resulted in any change of economic substance, for the purpose of this report, the Financial Information has been prepared on a combined basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Period.

Accordingly, no adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

All intra-group transactions and balances have been eliminated on combination.

2.2 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2015, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Financial Information throughout the Track Record Period.

The Financial Information has been prepared under the historical cost convention and are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

2.3 NEW AND REVISED HKFRSS NOT YET ADOPTED

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in this Financial Information.

HKFRS 9	<i>Financial Instruments</i> ³
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i> ¹
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i> ¹
HKFRS 14	<i>Regulatory Deferral Accounts</i> ⁴
HKFRS 15	<i>Revenue from Contracts with Customers</i> ³
Amendments to HKAS 1	<i>Disclosure Initiative</i> ¹
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> ¹
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i> ¹
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i> ¹
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs ¹

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2017

³ Effective for annual periods beginning on or after 1 January 2018

⁴ Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, other than explained below regarding the impact of the adoption of HKFRS 15, the Group considers that these new and revised HKFRSs may result in changes in accounting policies but are unlikely to have a significant impact on the Group's results of operations and financial position.

HKFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place

either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than construction contract assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and 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

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group 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 (a); and
 - (vii) a person identified in (a)(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).

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the lease terms or 10% - 33 $\frac{1}{3}$ %
Machinery	6% - 25%
Motor vehicles	25%
Furniture, fixtures and equipment	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases are charged to profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss and other comprehensive income. The loss arising from impairment is recognised in the statement of profit or loss and other comprehensive income in finance costs for loans and in other operating expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's combined statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment

exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other operating expenses in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss and other comprehensive income.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories comprise construction work materials and consumables and are stated at the lower of cost and net realisable value. Cost is determined using the first in, first-out (FIFO) method.

Cash and cash equivalents

For the purpose of the combined statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the jurisdictions in which the Group operates.

Deferred tax is provided, using the liability method, on temporary differences at the end of the reporting period arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are provided in full while deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for “Construction contracts” below;
- (b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset; and
- (c) rental income, on a time proportion basis over the lease terms.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method, depends on the nature of the contract works, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract or to the percentage of certified work performed to date to the estimated total sum of the relevant contracts. When the outcome of the contracts cannot be estimated reliably, revenue is recognised only to the extent of certified work performed that is probable to be recoverable.

Revenue from cost plus construction contracts is recognised on the percentage of completion method, by reference to the recoverable costs incurred during the period plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group’s subsidiaries which operate in Macau are required to participate in a central pension scheme operated by the Macau Government. The subsidiaries are required to contribute a fixed amount of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

The assets of the above-mentioned schemes are held separately from those of the Group in independently administered funds.

Dividends

When final dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial information are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their profits or losses are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the combined statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

The preparation of the Group's financial statements requires the use of estimates and assumptions about future events and conditions. In this connection, the directors consider that the significant areas where management's judgement is necessary are those in relation to (i) provision for foreseeable losses against the gross amount due from contract customers; and (ii) recognition of losses against the Group's trade and other receivables and retention monies receivables.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered to be reasonable. It should be noted that actual results could differ from those estimates.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

Impairment of property, plant and equipment

The Group assesses at the end of each reporting period whether there is an indication that property, plant and equipment may be impaired. If any indication exists, the Group estimates the recoverable amount of the property, plant and equipment. The Group measures the recoverable amount of the property, plant and equipment with reference to their value-in-use. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from property, plant and equipment and a suitable discount rate in order to calculate the present value.

Outcome of construction contracts

The Group determines whether the outcome of a construction contract can be estimated reliably. This requires a continuous estimation of the total contract revenue and costs and stage of completion with reference to work certified by architects and the assessment of the probability of the future economic flows to the Group. The contract costs incurred plus recognised profits less recognised losses and foreseeable losses as at 31 December 2012, 2013 and 2014 and 30 April 2015 were approximately HK\$3,954 million, HK\$4,878 million, HK\$6,094 million and HK\$6,592 million, respectively. Further details are contained in note 15 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has two reportable operating segments as follows:

- Piling construction and ancillary services; and
- Drilling and site investigation

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted operating profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that unallocated corporate gains and expenses are excluded from this measurement.

Segment liabilities exclude other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 December 2012

	Piling construction and ancillary services	Drilling and site investigation	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue:			
Sales to external customers	933,959	114,735	1,048,694
Intersegment sales	—	21,221	21,221
Other revenue			
- Rental income from leasing machinery	2,675	—	2,675
- Other	584	—	584
	<u>937,218</u>	<u>135,956</u>	<u>1,073,174</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			(21,221)
Other revenue			<u>(3,259)</u>
Revenue			<u><u>1,048,694</u></u>
Segment results	29,081	14,437	43,518
<i>Reconciliation:</i>			
Corporate and other unallocated expenses			(66)
Interest income			216
Finance cost			<u>(1,219)</u>
Profit before tax			<u><u>42,449</u></u>
Segment assets	456,312	83,029	539,341
<i>Reconciliation:</i>			
Corporate and other unallocated assets			<u>—</u>
Total assets			<u><u>539,341</u></u>
Segment liabilities	287,669	64,001	351,670
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			<u>60</u>
Total liabilities			<u><u>351,730</u></u>
Other segment information:			
Depreciation	21,020	1,541	22,561
Capital expenditure *	<u>50,441</u>	<u>524</u>	<u><u>50,965</u></u>

* Capital expenditure represents additions to property, plant and equipment.

Year ended 31 December 2013

	Piling construction and ancillary services	Drilling and site investigation	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue:			
Sales to external customers	1,059,906	118,418	1,178,324
Intersegment sales	—	13,568	13,568
Other revenue			
- Rental income from leasing machinery	2,591	—	2,591
- Other	<u>3,763</u>	<u>(86)</u>	<u>3,677</u>
	1,066,260	131,900	1,198,160
<i>Reconciliation:</i>			
Elimination of intersegment sales			(13,568)
Other revenue			<u>(6,268)</u>
Revenue			<u><u>1,178,324</u></u>
Segment results	63,228	3,003	66,231
<i>Reconciliation:</i>			
Corporate and other unallocated expenses			(65)
Interest income			979
Finance cost			<u>(598)</u>
Profit before tax			<u><u>66,547</u></u>
Segment assets	652,751	94,528	747,279
<i>Reconciliation:</i>			
Corporate and other unallocated assets			<u>—</u>
Total assets			<u><u>747,279</u></u>
Segment liabilities	442,079	79,648	521,727
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			<u>120</u>
Total liabilities			<u><u>521,847</u></u>
Other segment information:			
Depreciation	26,980	1,339	28,319
Capital expenditure *	<u>95,421</u>	<u>1,243</u>	<u>96,664</u>

* Capital expenditure represents additions to property, plant and equipment.

Year ended 31 December 2014

	Piling construction and ancillary services	Drilling and site investigation	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue:			
Sales to external customers	1,233,410	148,079	1,381,489
Intersegment sales	—	22,371	22,371
Other revenue			
- Rental income from leasing machinery	1,065	—	1,065
- Other	2,896	120	3,016
	<u>1,237,371</u>	<u>170,570</u>	<u>1,407,941</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			(22,371)
Other revenue			(4,081)
Revenue			<u>1,381,489</u>
Segment results	105,746	7,314	113,060
<i>Reconciliation:</i>			
Corporate and other unallocated expenses			(69)
Interest income			2,612
Finance cost			(75)
Profit before tax			<u>115,528</u>
Segment assets	794,276	85,109	879,385
<i>Reconciliation:</i>			
Corporate and other unallocated assets			—
Total assets			<u>879,385</u>
Segment liabilities	562,055	93,688	655,743
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			120
Total liabilities			<u>655,863</u>
Other segment information:			
Depreciation	34,795	955	35,750
Capital expenditure *	<u>74,032</u>	<u>1,656</u>	<u>75,688</u>

* Capital expenditure represents additions to property, plant and equipment.

Period ended 30 April 2014 (unaudited)

	Piling construction and ancillary services	Drilling and site investigation	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue:			
Sales to external customers	424,574	56,942	481,516
Intersegment sales	—	5,915	5,915
Other revenue			
- Rental income from leasing machinery	170	—	170
- Other	206	25	231
	<u>424,950</u>	<u>62,882</u>	<u>487,832</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			(5,915)
Other revenue			(401)
Revenue			<u>481,516</u>
Segment results	24,648	2,984	27,632
<i>Reconciliation:</i>			
Corporate and other unallocated expenses			(26)
Interest income			214
Finance cost			(14)
Profit before tax			<u>27,806</u>
Segment assets	692,672	105,058	797,730
<i>Reconciliation:</i>			
Corporate and other unallocated assets			—
Total assets			<u>797,730</u>
Segment liabilities	464,313	84,823	549,136
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			140
Total liabilities			<u>549,276</u>
Other segment information:			
Depreciation	10,794	291	11,085
Capital expenditure *	<u>18,625</u>	<u>—</u>	<u>18,625</u>

* Capital expenditure represents additions to property, plant and equipment.

Period ended 30 April 2015

	Piling construction and ancillary services	Drilling and site investigation	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue:			
Sales to external customers	550,712	49,113	599,825
Intersegment sales	—	15,894	15,894
Other revenue			
- Rental income from leasing machinery	—	—	—
- Other	28	91	119
	550,740	65,098	615,838
<i>Reconciliation:</i>			
Elimination of intersegment sales			(15,894)
Other revenue			(119)
Revenue			<u>599,825</u>
Segment results	66,501	3,012	69,513
<i>Reconciliation:</i>			
Corporate and other unallocated expenses			(25)
Interest income			28
Profit before tax			<u>69,516</u>
Segment assets	943,605	92,088	1,035,693
<i>Reconciliation:</i>			
Corporate and other unallocated assets			—
Total assets			<u>1,035,693</u>
Segment liabilities	658,192	95,822	754,014
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			80
Total liabilities			<u>754,094</u>
Other segment information:			
Depreciation	14,338	332	14,670
Capital expenditure *	<u>52,347</u>	<u>—</u>	<u>52,347</u>

* Capital expenditure represents additions to property, plant and equipment.

Geographical information(a) *Revenue from external customers*

	Year ended 31 December			Four-month period ended 30 April	
	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>
				<i>(Unaudited)</i>	
Hong Kong	1,048,694	1,178,324	1,212,749	370,720	593,466
Macau	—	—	168,740	110,796	6,359
	<u>1,048,694</u>	<u>1,178,324</u>	<u>1,381,489</u>	<u>481,516</u>	<u>599,825</u>

The revenue information above is based on the locations of the customers.

(b) *Non-current assets*

	As at 31 December			As at
	2012	2013	2014	30 April
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	167,267	230,080	269,586	306,975
Macau	—	—	—	—
	<u>167,267</u>	<u>230,080</u>	<u>269,586</u>	<u>306,975</u>

The non-current asset information above is based on the locations of the assets and exclude deferred tax assets.

Information about major customers

Revenue from each of the major customers, which amounted to 10% or more of the total revenue, is set out below:

	Year ended 31 December			Four-month period ended 30 April	
	2012	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Customer A	245,619	121,148	*	*	*
Customer B	170,045	*	*	*	146,762
Customer C	134,541	363,271	*	*	*
Customer E	*	147,092	*	*	*
Customer D	*	*	248,903	94,174	97,929
Customer G	*	*	230,393	*	83,814
Customer H	*	*	168,740	110,796	*

* Less than 10%

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents an appropriate portion of construction contract revenue received and receivable during the year/period.

An analysis of the Group's revenue, other income and gains is as follows:

	Year ended 31 December			Four-month period ended 30 April	
	2012	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<i>(Unaudited)</i>				
Revenue					
Construction contract revenue	1,048,694	1,178,324	1,381,489	481,516	599,825
Other income and gains					
Bank interest income	16	51	1,003	89	28
Interest income from the Remaining Group	200	928	1,609	125	—
Rental income from leasing of machinery	2,675	2,591	1,065	170	—
Exchange gains, net	366	—	—	17	—
Gain on disposal of items of property, plant and equipment, net	—	2,698	404	—	—
Others	2	—	—	—	91
	<u>3,259</u>	<u>6,268</u>	<u>4,081</u>	<u>401</u>	<u>119</u>

(b) Executive directors

	Fees	Salaries, allowances and benefits in kind	Performance related bonus	Pension scheme contributions	Total remuneration
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 31 December 2012					
Mr. Fung Man Hei Herman	—	—	—	—	—
Mr. Chan Yuen Keung	—	—	—	—	—
Mr. Yu Wing Sing	—	1,830*	2,000*	84	3,914
Mr. So Hin Kwong	—	1,136	420	47	1,603
	<u>—</u>	<u>2,966</u>	<u>2,420</u>	<u>131</u>	<u>5,517</u>
Year ended 31 December 2013					
Mr. Fung Man Hei Herman	—	—	—	—	—
Mr. Chan Yuen Keung	—	—	—	—	—
Mr. Yu Wing Sing	—	2,050*	2,500*	95	4,645
Mr. So Hin Kwong	—	1,240	532	52	1,824
	<u>—</u>	<u>3,290</u>	<u>3,032</u>	<u>147</u>	<u>6,469</u>
Year ended 31 December 2014					
Mr. Fung Man Hei Herman	—	—	—	—	—
Mr. Chan Yuen Keung	—	—	1,000	—	1,000
Mr. Yu Wing Sing	—	2,480*	3,500*	114	6,094
Mr. So Hin Kwong	—	1,335	688	56	2,079
	<u>—</u>	<u>3,815</u>	<u>5,188</u>	<u>170</u>	<u>9,173</u>
Four-month period ended 30 April 2015					
Mr. Fung Man Hei Herman	—	—	—	—	—
Mr. Chan Yuen Keung	—	—	1,500	—	1,500
Mr. Yu Wing Sing	—	1,020	3,000	41	4,061
Mr. So Hin Kwong	—	526	820	20	1,366
	<u>—</u>	<u>1,546</u>	<u>5,320</u>	<u>61</u>	<u>6,927</u>
Four-month period ended 30 April 2014 (unaudited)					
Mr. Fung Man Hei Herman	—	—	—	—	—
Mr. Chan Yuen Keung	—	—	1,000	—	1,000
Mr. Yu Wing Sing	—	827*	1,166*	38	2,031
Mr. So Hin Kwong	—	445	229	19	693
	<u>—</u>	<u>1,272</u>	<u>2,395</u>	<u>57</u>	<u>3,724</u>

* As Mr. Yu Wing Sing ("Mr. Yu") signed the employment contract with the Remaining Group but only provided services solely for the Group, the staff costs of Mr. Yu were initially paid by the Remaining Group, and were then reimbursed by the Group on an actual basis, as further detailed in note 28 to the Financial Information.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Machinery	Motor vehicles	Furniture, fixtures and equipment	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
31 December 2012					
At 1 January 2012:					
Cost	1,775	412,599	5,398	7,576	427,348
Accumulated depreciation	<u>(997)</u>	<u>(275,269)</u>	<u>(3,558)</u>	<u>(7,231)</u>	<u>(287,055)</u>
Net carrying amount	<u>778</u>	<u>137,330</u>	<u>1,840</u>	<u>345</u>	<u>140,293</u>
At 1 January 2012, net of accumulated depreciation					
	778	137,330	1,840	345	140,293
Additions	260	50,073	408	224	50,965
Disposals	—	(1,430)	—	—	(1,430)
Depreciation provided during the year					
	<u>(83)</u>	<u>(21,483)</u>	<u>(796)</u>	<u>(199)</u>	<u>(22,561)</u>
At 31 December 2012, net of accumulated depreciation					
	<u>955</u>	<u>164,490</u>	<u>1,452</u>	<u>370</u>	<u>167,267</u>
At 31 December 2012:					
Cost	2,035	458,942	5,806	7,800	474,583
Accumulated depreciation	<u>(1,080)</u>	<u>(294,452)</u>	<u>(4,354)</u>	<u>(7,430)</u>	<u>(307,316)</u>
Net carrying amount	<u>955</u>	<u>164,490</u>	<u>1,452</u>	<u>370</u>	<u>167,267</u>
31 December 2013					
At 31 December 2012 and 1 January 2013:					
Cost	2,035	458,942	5,806	7,800	474,583
Accumulated depreciation	<u>(1,080)</u>	<u>(294,452)</u>	<u>(4,354)</u>	<u>(7,430)</u>	<u>(307,316)</u>
Net carrying amount	<u>955</u>	<u>164,490</u>	<u>1,452</u>	<u>370</u>	<u>167,267</u>
At 1 January 2013, net of accumulated depreciation					
	955	164,490	1,452	370	167,267
Additions	778	93,514	1,478	894	96,664
Disposals	—	(5,369)	(163)	—	(5,532)
Depreciation provided during the year					
	<u>(171)</u>	<u>(27,045)</u>	<u>(836)</u>	<u>(267)</u>	<u>(28,319)</u>
At 31 December 2013, net of accumulated depreciation					
	<u>1,562</u>	<u>225,590</u>	<u>1,931</u>	<u>997</u>	<u>230,080</u>
At 31 December 2013:					
Cost	2,813	535,024	6,070	8,694	552,601
Accumulated depreciation	<u>(1,251)</u>	<u>(309,434)</u>	<u>(4,139)</u>	<u>(7,697)</u>	<u>(322,521)</u>
Net carrying amount	<u>1,562</u>	<u>225,590</u>	<u>1,931</u>	<u>997</u>	<u>230,080</u>

	Leasehold improvements	Machinery	Motor vehicles	Furniture, fixtures and equipment	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
31 December 2014					
At 31 December 2013 and 1 January 2014:					
Cost	2,813	535,024	6,070	8,694	552,601
Accumulated depreciation	<u>(1,251)</u>	<u>(309,434)</u>	<u>(4,139)</u>	<u>(7,697)</u>	<u>(322,521)</u>
Net carrying amount	<u>1,562</u>	<u>225,590</u>	<u>1,931</u>	<u>997</u>	<u>230,080</u>
At 1 January 2014, net of accumulated depreciation					
	1,562	225,590	1,931	997	230,080
Additions	—	71,573	4,115	—	75,688
Disposals	—	(266)	(166)	—	(432)
Depreciation provided during the year	<u>(184)</u>	<u>(34,059)</u>	<u>(1,238)</u>	<u>(269)</u>	<u>(35,750)</u>
At 31 December 2014, net of accumulated depreciation					
	<u>1,378</u>	<u>262,838</u>	<u>4,642</u>	<u>728</u>	<u>269,586</u>
At 31 December 2014:					
Cost	2,813	606,231	7,942	8,694	625,680
Accumulated depreciation	<u>(1,435)</u>	<u>(343,393)</u>	<u>(3,300)</u>	<u>(7,966)</u>	<u>(356,094)</u>
Net carrying amount	<u>1,378</u>	<u>262,838</u>	<u>4,642</u>	<u>728</u>	<u>269,586</u>
30 April 2015					
At 31 December 2014 and 1 January 2015:					
Cost	2,813	606,231	7,942	8,694	625,680
Accumulated depreciation	<u>(1,435)</u>	<u>(343,393)</u>	<u>(3,300)</u>	<u>(7,966)</u>	<u>(356,094)</u>
Net carrying amount	<u>1,378</u>	<u>262,838</u>	<u>4,642</u>	<u>728</u>	<u>269,586</u>
At 1 January 2015, net of accumulated depreciation					
	1,378	262,838	4,642	728	269,586
Additions	128	51,904	315	—	52,347
Disposals	—	(288)	—	—	(288)
Depreciation provided during the period	<u>(65)</u>	<u>(13,959)</u>	<u>(563)</u>	<u>(83)</u>	<u>(14,670)</u>
At 30 April 2015, net of accumulated depreciation					
	<u>1,441</u>	<u>300,495</u>	<u>4,394</u>	<u>645</u>	<u>306,975</u>
At 30 April 2015:					
Cost	2,940	632,265	8,258	8,695	652,158
Accumulated depreciation	<u>(1,499)</u>	<u>(331,770)</u>	<u>(3,864)</u>	<u>(8,050)</u>	<u>(345,183)</u>
Net carrying amount	<u>1,441</u>	<u>300,495</u>	<u>4,394</u>	<u>645</u>	<u>306,975</u>

The net book value of the Group's property, plant and equipment held under finance leases included in the total amount of Machinery at 31 December 2012, 2013 and 2014 and 30 April 2015 amounted to HK\$38,328,000, nil, nil and nil (note 22), respectively.

14. INVENTORIES

	As at 31 December			As at
	2012	2013	2014	30 April
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
Materials and consumables for construction works	<u>2,199</u>	<u>3,586</u>	<u>3,103</u>	<u>2,391</u>

15. CONSTRUCTION CONTRACTS

	As at 31 December			As at
	2012	2013	2014	30 April
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
Gross amount due from contract customers	58,912	79,059	43,067	34,190
Gross amount due to contract customers	<u>(136,775)</u>	<u>(290,505)</u>	<u>(420,221)</u>	<u>(513,269)</u>
	<u>(77,863)</u>	<u>(211,446)</u>	<u>(377,154)</u>	<u>(479,079)</u>
Contract costs incurred plus recognised profits less recognised and foreseeable losses to date	3,953,566	4,878,054	6,093,835	6,591,735
Less: Progress billings	<u>(4,031,429)</u>	<u>(5,089,500)</u>	<u>(6,470,989)</u>	<u>(7,070,814)</u>
	<u>(77,863)</u>	<u>(211,446)</u>	<u>(377,154)</u>	<u>(479,079)</u>

As at 31 December 2012, 2013 and 2014 and 30 April 2015, the retentions held by customers for contract works included in the retention monies receivables included in the current assets of the Group amounted to approximately HK\$80,675,000, HK\$105,806,000, HK\$164,425,000 and HK\$176,010,000, respectively.

As at 31 December 2012, 2013 and 2014 and 30 April 2015, the retentions held by the Group for contract works included in retention monies payables included in the current liabilities of the Group amounted to approximately HK\$18,912,000, HK\$23,853,000, HK\$26,090,000 and HK\$28,567,000, respectively.

16. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of one month. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing. At 31 December 2012, 2013 and 2014 and 30 April 2015, the Group has certain concentration risk that may arise from the exposure to the five largest customers, respectively, which accounted for 73%, 78%, 70% and 76% of the Group's total receivables, respectively. At 31 December 2012, 2013 and 2014 and 30 April 2015, the Group has certain concentration risk that may arise from the exposure to the largest customer which accounted for 35%, 59%, 27% and 39% of the Group's total receivables, respectively.

An aged analysis of the trade receivables as at the end of each of the Track Record Period, based on the invoice date, is as follows:

	As at 31 December			As at
	2012	2013	2014	30 April 2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 30 days	88,557	92,236	117,602	142,787
31 to 60 days	8,439	28,790	32,787	48,342
61 to 90 days	173	16,620	38,552	45,316
Over 90 days	4,251	1,002	272	10,639
	<u>101,420</u>	<u>138,648</u>	<u>189,213</u>	<u>247,084</u>

An aged analysis of the trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	As at 31 December			As at
	2012	2013	2014	30 April 2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Neither past due nor impaired	87,262	93,832	131,115	208,973
Less than 31 days past due	9,832	42,709	51,850	26,800
31 to 90 days past due	173	1,105	5,976	670
Past due over 90 days	4,153	1,002	272	10,641
	<u>101,420</u>	<u>138,648</u>	<u>189,213</u>	<u>247,084</u>

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December			As at
	2012	2013	2014	30 April
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
Prepayments	220	475	758	544
Deposits and other receivables	<u>11,724</u>	<u>14,737</u>	<u>18,310</u>	<u>20,727</u>
	<u>11,944</u>	<u>15,212</u>	<u>19,068</u>	<u>21,271</u>

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

18. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	As at 31 December			As at
	2012	2013	2014	30 April
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
Cash and bank balances	63,865	106,648	145,254	129,852
Time deposits	<u>8,834</u>	<u>36,751</u>	<u>21,755</u>	<u>93,488</u>
	72,699	143,399	167,009	223,340
Less: Pledged time deposits for letters of guarantee and performance bonds	<u>(8,834)</u>	<u>(6,751)</u>	<u>(11,755)</u>	<u>(13,488)</u>
Cash and cash equivalents	<u>63,865</u>	<u>136,648</u>	<u>155,254</u>	<u>209,852</u>

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

19. TRADE PAYABLES

An aged analysis of the trade payable as at the end of each of the Track Record Period, based on the invoice date, is as follows:

	As at 31 December			As at
	2012	2013	2014	30 April
	HK\$'000	HK\$'000	HK\$'000	2015
Current to 30 days	87,035	107,432	68,880	88,485
31 to 60 days	9,793	12,683	39,863	28,618
61 to 90 days	5,358	2,222	10,655	8,254
Over 90 days	<u>3,991</u>	<u>2,753</u>	<u>7,392</u>	<u>5,643</u>
	<u>106,177</u>	<u>125,090</u>	<u>126,790</u>	<u>131,000</u>

The trade payables are non-interest-bearing and normally settled on 30-day terms.

20. OTHER PAYABLES AND ACCRUALS

	As at 31 December			As at
	2012	2013	2014	30 April
	HK\$'000	HK\$'000	HK\$'000	2015
Other payables	391	61	107	157
Accruals	<u>18,923</u>	<u>29,928</u>	<u>39,227</u>	<u>25,812</u>
	<u>19,314</u>	<u>29,989</u>	<u>39,334</u>	<u>25,969</u>

Other payables are non-interest-bearing and payable on demand.

21. BALANCES WITH THE REMAINING GROUP

The balances with the Remaining Group were unsecured, interest-free and repayable on demand, except that interest was charged on certain amounts due from the Remaining Group of HK\$6,000,000 as at 31 December 2012, at the Hong Kong dollar prime rate of 5% per annum.

22. OBLIGATIONS UNDER FINANCE LEASES

As at 31 December 2012, the Group leases certain of its machinery for its construction business. These leases are classified as finance leases and have remaining lease terms ranging from two to four years.

As at 31 December 2012, 2013 and 2014 and 30 April 2015, the Group's total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments				Present value of minimum lease payments			
	As at 31 December			As at	As at 31 December			As at
	2012	2013	2014	30 April	2012	2013	2014	30 April
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts payable:								
Within one year	14,163	—	—	—	13,410	—	—	—
In the second to fifth years, inclusive	8,010	—	—	—	7,768	—	—	—
Total minimum finance lease payments	22,173	—	—	—	21,178	—	—	—
Future finance charges	(995)	—	—	—	—	—	—	—
Total net finance lease payables	21,178	—	—	—	—	—	—	—
Portion classified as current liabilities	(13,410)	—	—	—	—	—	—	—
Non-current portion	7,768	—	—	—	—	—	—	—

At 31 December 2012, the leases were secured by certain machinery (note 13) and corporate guarantees given by the Remaining Group (note 23). During the year ended 31 December 2013, the lease was fully settled.

23. INTEREST-BEARING BANK AND OTHER BORROWINGS

As at 31 December 2012			
	Contractual interest rate %	Maturity	HK\$'000
Current			
Bank loans — unsecured	2.39	On demand	4,800
Finance lease payables (<i>note 22</i>)	3.25 - 4.25	2013	13,410
Total current			<u>18,210</u>
Non-current			
Finance lease payables (<i>note 22</i>)	3.75 - 4.25	2014-2016	7,768
			<u>25,978</u>

As at 31 December 2013			
	Contractual interest rate %	Maturity	HK\$'000
Current			
Bank loans — unsecured	2.38	On demand	<u>2,400</u>

	As at 31 December			As at
	2012	2013	2014	30 April
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
Analysed into:				
Bank loans and finance leases payable:				
Within one year or on demand	18,210	2,400	—	—
In the second year	6,869	—	—	—
In the third to fifth years	899	—	—	—
	<u>25,978</u>	<u>2,400</u>	<u>—</u>	<u>—</u>

The carrying amounts of these bank borrowings approximate to their fair values as at the end of each of the Track Record Period. The fair value of bank borrowings has been calculated by discounting the expected future cash flows at the prevailing interest rates.

As at 31 December 2012, 2013 and 2014 and 30 April 2015, the Group's banking facilities are secured by the corporate guarantees executed by the Remaining Group.

24. DEFERRED TAX

The movements in the Group's deferred tax liabilities and assets during the Track Record Period are as follows:

Deferred tax liabilities

	Accelerated tax depreciation
	<u>HK\$'000</u>
At 1 January 2012	18,303
Deferred tax charged to profit or loss during the year (<i>note 10</i>)	<u>4,657</u>
At 31 December 2012 and 1 January 2013	22,960
Deferred tax charged to profit or loss during the year (<i>note 10</i>)	<u>8,933</u>
At 31 December 2013 and 1 January 2014	31,893
Deferred tax charged to profit or loss during the year (<i>note 10</i>)	<u>4,933</u>
At 31 December 2014 and 1 January 2015	36,826
Deferred tax charged to profit or loss during the period (<i>note 10</i>)	<u>728</u>
Gross deferred tax liabilities as at 30 April 2015	<u><u>37,554</u></u>

Deferred tax assets

	Related depreciation over depreciation allowance	Tax losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2012	—	2,362	2,362
Deferred tax credited/(charged) to profit or loss during the year (<i>note 10</i>)	<u>3,300</u>	<u>(2,317)</u>	<u>983</u>
At 31 December 2012 and 1 January 2013	3,300	45	3,345
Deferred tax credited/(charged) to profit or loss during the year (<i>note 10</i>)	<u>(1,465)</u>	<u>4,142</u>	<u>2,677</u>
At 31 December 2013 and 1 January 2014	1,835	4,187	6,022
Deferred tax credited/(charged) to profit or loss during the year (<i>note 10</i>)	<u>117</u>	<u>(1,114)</u>	<u>(997)</u>
At 31 December 2014 and 1 January 2015	1,952	3,073	5,025
Deferred tax credited/(charged) to profit or loss during the period (<i>note 10</i>)	<u>518</u>	<u>(833)</u>	<u>(315)</u>
Gross deferred tax assets as at 30 April 2015	<u><u>2,470</u></u>	<u><u>2,240</u></u>	<u><u>4,710</u></u>

For presentation purposes, certain deferred tax assets and liabilities have been offset in the combined statements of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	As at 31 December			As at 30 April
	2012	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net deferred tax assets recognised in the combined statements of financial position	<u><u>3,300</u></u>	<u><u>1,835</u></u>	<u><u>1,952</u></u>	<u><u>2,470</u></u>
Net deferred tax liabilities recognised in the combined statements of financial position	<u><u>22,915</u></u>	<u><u>27,706</u></u>	<u><u>33,753</u></u>	<u><u>35,314</u></u>

As at 31 December 2012, 2013 and 2014 and 30 April 2015, the Group had estimated tax losses arising in Hong Kong of HK\$19,446,000, HK\$35,082,000, HK\$18,629,000 and HK\$13,580,000, respectively, that are available for offsetting against future taxable profits of the companies in which the losses arose. The Group also has estimated tax losses arising in Macau of HK\$236,000, HK\$440,000, HK\$161,000 and HK\$171,000, respectively, as at 31 December 2012, 2013 and 2014 and 30 April 2015, that can be used to offset against future taxable profits of the companies in which the losses arose for a maximum of three years. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries with uncertain future operating profit streams.

25. SHARE CAPITAL

There was no authorised and issued capital as at 31 December 2012, 2013 and 2014 and 30 April 2015 since the Company has not yet been incorporated.

The Company was incorporated on 29 May 2015 with an initial authorised share capital of HK\$78,000 divided into 780,000 shares of a par value of HK\$0.1 each. On 19 June 2015, 1 ordinary share of HK\$0.1 was issued and allotted by the Company to its then shareholder.

26. CONTINGENT LIABILITIES

At the end of each of the Track Record Period, contingent liabilities not provided for in the financial statements were as follows:

	As at 31 December			As at
	2012	2013	2014	30 April
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Guarantees given to banks in connection with facilities granted to the Remaining Group	<u>288,000</u>	<u>288,000</u>	<u>413,000</u>	<u>413,000</u>

As at 31 December 2012, 2013 and 2014 and 30 April 2015, the banking facilities granted to the Remaining Group subject to guarantees given to the banks by the Group were utilised to the extent of approximately HK\$60,654,000, HK\$111,430,000, HK\$128,729,000, and HK\$128,268,000, respectively.

27. OPERATING LEASE ARRANGEMENTS

The Group leases its warehouses and offices under operating lease arrangements. Lease for the warehouses and offices were negotiated for terms ranging from one to three years.

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December			As at
	2012	2013	2014	30 April
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
Within one year	374	156	3,456	4,433
In the second to fifth years, inclusive	156	—	3,744	2,592
	<u>530</u>	<u>156</u>	<u>7,200</u>	<u>7,025</u>

28. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in the Financial Information, the Group had the following material transactions with related parties during the Track Record Period and the four-month period ended 30 April 2014:

	Notes	Year ended 31 December			Four-month period	
		2012	2013	2014	ended 30 April	ended 30 April
		HK\$'000	HK\$'000	HK\$'000	2014	2015
					HK\$'000	HK\$'000
					(Unaudited)	
Rental expense to the						
Remaining Group	(i)	810	807	1,516	505	507
Interest income from the						
Remaining Group	(ii)	(200)	(928)	(1,609)	(125)	—
Reimbursement of staff costs						
to the Remaining Group	(iii)	3,830	4,550	5,980	1,993	—
Purchase from the Remaining						
Group	(iv)	353	183	570	—	—
Contracting income from the						
Remaining Group	(iv)	<u>(721)</u>	<u>—</u>	<u>(164)</u>	<u>—</u>	<u>—</u>

Notes:

- (i) Rental expense charged by the Remaining Group is based on the market price.
- (ii) The interest income received from the Remaining Group was charged at the Hong Kong dollar prime rate per annum on the net outstanding interest-bearing balances.
- (iii) The reimbursement of staff costs related to the staff costs of Mr. Yu, being the managing director of all members of the Group. As Mr. Yu signed the employment contract with the Remaining Group up to 31 December 2014 but only provided services solely for the Group, the staff costs of Mr. Yu were initially paid by the Remaining Group, and were then reimbursed by the Group on an actual basis, as further detailed in note 8 to the Financial Information.
- (iv) In the opinion of the directors, the above transactions were made according to the published prices and conditions similar to those offered to the major customers of the supplier or contractor.

(b) Other transactions with related parties:

The Group's banking facilities are secured by corporate guarantees executed by the Remaining Group, as further detailed in note 23 to the Financial Information.

(c) Outstanding balances with related parties:

Details of the Group's balances with the Remaining Group as at the end of each of the Track Record Period are included in note 21 to the Financial Information.

(d) Compensation of key management personnel of the Group:

The key management personnel of the Group are the directors of the Company. Details of their remuneration are disclosed in note 8 to the Financial Information.

29. COMMITMENTS

In addition to the operating lease commitments detailed in note 27 above, the Group had the following capital commitment at the end of each of the Track Record Period:

	As at 31 December			As at 30 April
	2012	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted, but not provided for: Machinery	—	12,844	11,654	3,067

30. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Track Record Period are as follows:

Financial assets

	Loans and receivables			
	As at 31 December			As at
	2012	2013	2014	30 April
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	101,420	138,648	189,213	247,084
Retention monies receivables	80,675	105,806	164,425	176,010
Financial assets included in prepayments, deposits and other receivables	11,724	14,737	18,310	20,727
Due from the Remaining Group	39,668	22,606	21,962	21,962
Pledged deposits	8,834	6,751	11,755	13,488
Cash and cash equivalents	<u>63,865</u>	<u>136,648</u>	<u>155,254</u>	<u>209,852</u>
	<u>306,186</u>	<u>425,196</u>	<u>560,919</u>	<u>689,123</u>

Financial liabilities

	Financial liabilities at amortised cost			
	As at 31 December			As at
	2012	2013	2014	30 April
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	106,177	125,090	126,790	131,000
Retention monies payables	18,912	23,853	26,090	28,567
Financial liabilities included in other payables and accruals	2,891	2,561	4,010	1,600
Due to the Remaining Group	16,709	21,519	96	—
Obligations under finance leases	21,178	—	—	—
Interest-bearing bank borrowings	<u>4,800</u>	<u>2,400</u>	<u>—</u>	<u>—</u>
	<u>170,667</u>	<u>175,423</u>	<u>156,986</u>	<u>161,167</u>

31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and retention monies receivables, trade and retention monies payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, balances with the Remaining Group and interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the Group's obligations under finance leases have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

Fair value hierarchy

As at the end of each of the Track Record Period, the Group did not have any financial assets and liabilities measured at fair value.

During the Track Record Period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise interest-bearing bank borrowings, obligations under finance leases, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has other financial assets and liabilities such as trade and retention monies receivables, deposits and other receivables, trade and retention monies payables, other payables, and balances with the Remaining Group which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The directors meets periodically to analyse and formulate measures to manage each of these risks and they are summarised below.

Credit risk

The Group trades only with recognised and creditworthy third parties and group companies. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, which mainly comprise cash and cash equivalents, trade and retention monies receivables, deposits and other receivables, and amounts due from group companies, the Group's exposure to credit risk arises from default of the counterparties, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings. The Group's policy is to maintain the Group at a net current asset position.

The maturity profile of the Group's financial liabilities as at the end of the reporting periods, based on the contractual undiscounted payments, was as follows:

	On demand	Less than 12 months	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 31 December 2012					
Trade payables	—	106,177	—	—	106,177
Retention monies payables	—	18,912	—	—	18,912
Financial liabilities included in other payables and accruals	2,891	—	—	—	2,891
Due to the Remaining Group	16,709	—	—	—	16,709
Obligations under finance leases	6,478	7,685	7,049	961	22,173
Interest-bearing bank borrowings	4,929	—	—	—	4,929
Unutilised guarantees given to banks	288,000	—	—	—	288,000
	<u>319,007</u>	<u>132,774</u>	<u>7,049</u>	<u>961</u>	<u>459,791</u>
As at 31 December 2013					
Trade payables	—	125,090	—	—	125,090
Retention monies payables	—	23,853	—	—	23,853
Financial liabilities included in other payables and accruals	2,561	—	—	—	2,561
Due to the Remaining Group	21,519	—	—	—	21,519
Obligations under finance leases	—	—	—	—	—
Interest-bearing bank borrowings	2,429	—	—	—	2,429
Unutilised guarantees given to banks	288,000	—	—	—	288,000
	<u>314,509</u>	<u>148,943</u>	<u>—</u>	<u>—</u>	<u>463,452</u>

	On demand	Less than 12 months	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 31 December 2014					
Trade payables	—	126,790	—	—	126,790
Retention monies payables	—	26,090	—	—	26,090
Financial liabilities included in other payables and accruals	4,010	—	—	—	4,010
Due to the Remaining Group	96	—	—	—	96
Obligations under finance leases	—	—	—	—	—
Interest-bearing bank borrowings	—	—	—	—	—
Unutilised guarantees given to banks	383,000	—	—	—	383,000
	<u>387,106</u>	<u>152,880</u>	<u>—</u>	<u>—</u>	<u>539,986</u>
As at 30 April 2015					
Trade payables	—	131,000	—	—	131,000
Retention monies payables	—	28,567	—	—	28,567
Financial liabilities included in other payables and accruals	1,600	—	—	—	1,600
Due to the Remaining Group	—	—	—	—	—
Obligations under finance leases	—	—	—	—	—
Interest-bearing bank borrowings	—	—	—	—	—
Unutilised guarantees given to banks	238,000	—	—	—	238,000
	<u>239,600</u>	<u>159,567</u>	<u>—</u>	<u>—</u>	<u>399,167</u>

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Track Record Period.

The Company monitors capital using a gearing ratio, which is total interest-bearing borrowings divided by the total capital. Total interest-bearing borrowings include trust receipt loans, obligations under finance leases and interest-bearing bank borrowings. Capital includes equity attributable to owners of the Company. The gearing ratios as at the end of the reporting periods were as follows:

	As at 31 December			As at
	2012	2013	2014	30 April 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Obligations under finance leases	21,178	—	—	—
Interest-bearing bank borrowings	4,800	2,400	—	—
	<u>25,978</u>	<u>2,400</u>	<u>—</u>	<u>—</u>
Equity attributable to owners of the Company	<u>187,611</u>	<u>225,432</u>	<u>223,522</u>	<u>281,599</u>
Gearing ratio	<u>13.8%</u>	<u>1.1%</u>	<u>0%</u>	<u>0%</u>

III. EVENTS AFTER THE REPORTING PERIOD

On 15 October 2015, the companies now comprising the Group completed the 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 paragraph headed "History and Corporate Structure — Our Reorganisation" in the Prospectus.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company or any of its subsidiaries in respect of any period subsequent to 30 April 2015.

Yours faithfully,
Ernst & Young
Certified Public Accountants
 Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following information does not form part of the Accountants' Report from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, as set out in Appendix I to this prospectus, and is included herein for information 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 out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted combined net tangible assets of the Group which has been prepared in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had been taken place on 30 April 2015 and based on the audited combined net tangible assets attributable to shareholders of the Company as at 30 April 2015 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

This unaudited pro forma adjusted combined net tangible assets of the Group has been prepared for illustrative purposes only and because of its nature, it may not give a true and fair picture of the financial position of the Group after the completion of the Global Offering or at any future dates.

	Combined net tangible assets attributable to shareholders of the Company as at 30 April 2015	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted combined net tangible assets attributable to shareholders of the Company	Unaudited pro forma adjusted combined net tangible assets attributable to shareholders of the Company per Share
	<i>HK\$'000</i> <i>(Note 1)</i>	<i>HK\$'000</i> <i>(Notes 2 and 4)</i>	<i>HK\$'000</i> <i>(Note 4)</i>	<i>HK\$</i> <i>(Notes 3 and 4)</i>
Based on an Offer				
Price of HK\$0.50 per Share	281,599	159,836	441,435	0.294
Based on an Offer				
Price of HK\$0.66 per Share	281,599	218,588	500,187	0.333

Notes:

- (1) The combined net tangible assets attributable to shareholders of the Company as at 30 April 2015 has been extracted from the Accountants' Report set forth in Appendix I to this prospectus which is based on the combined net tangible assets of the Group attributable to shareholders of the Company of HK\$281.6 million as at 30 April 2015.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

- (2) The estimated net proceeds from the Global Offering are based on the Offer Prices as below, being the lower end and higher end of the indicative Offer Price range, after deduction of the estimated underwriting commission and other estimated expenses mainly including legal and professional expenses in relation to the Reorganisation and the Listing and does not take into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any shares which may be allotted or repurchased by our Company pursuant to the issuing mandate and the repurchase mandate.
- (3) The unaudited pro forma adjusted combined net tangible assets attributable to shareholders of the Company per Share is arrived at after the adjustment referred to in note (2) above and is based on the 1,500,000,000 Shares assuming the Global Offering and the Capitalisation Issue have been completed on 30 April 2015 but takes no account of any shares which may be issued upon the exercise of Over-allotment Option or any shares which may be allotted or repurchased by our Company pursuant to the issuing mandate and the repurchase mandate.
- (4) No adjustment has been made to the combined net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 30 April 2015, and in particular, the unaudited pro forma adjusted combined net tangible assets of the Group has not been adjusted to give effect to the dividend distribution amounting to HK\$232.0 million in October 2015. The dividend distribution would result in a decrease of HK\$232.0 million in the Group's net tangible asset value attributable to shareholders of the Group before Listing. Had the dividend been taken into account by adjusting HK\$232.0 million to the Group's unaudited pro forma adjusted combined net tangible assets attributable to shareholders of the Group and based on 1,500,000,000 Shares as mentioned in note 2 above, the unaudited pro forma adjusted combined net tangible assets attributable to shareholders of the Group per Share would be approximately HK\$0.140 (assuming an Offer Price of HK\$0.50 per Share) and approximately HK\$0.179 (assuming an Offer Price of HK\$0.66 per Share), respectively.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

The following is the text of a letter received from the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Prospectus.



22/F, CITIC Tower,
1 Tim Mei Avenue,
Central, Hong Kong

30 October 2015

The Directors
Chinney Kin Wing Holdings Limited
(建業建榮控股有限公司*)

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Chinney Kin Wing Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the pro forma combined net tangible assets as at 30 April 2015, and related notes as set out on pages II-1 to II-2 of the Prospectus issued by the Company (the “Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in section A.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group’s financial position as at 30 April 2015 as if the transaction had taken place at 30 April 2015. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial statements for the period ended 30 April 2015, on which an accountant’s report has been published.

Directors’ responsibility 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” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

* For identification purpose only

Reporting Accountant's 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 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountant 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 AG7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the 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 the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction 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 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 accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the 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.

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 purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

The Company was an exempted company with limited liability incorporated in Bermuda on 29 May 2015. Set out below is a summary of certain provisions of the memorandum of association (the “Memorandum of Association”) and bye-laws (the “Bye-laws”) of the Company and of certain aspects of Bermuda company law.

1. MEMORANDUM OF ASSOCIATION

The Memorandum of Association states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the Company is an exempted company as defined in the Companies Act. The Memorandum of Association also sets out the objects for which the Company was formed which are unrestricted and that the Company has the capacity, rights, powers and privileges of a natural person. As an exempted company, the Company will be carrying on business outside Bermuda from a place of business within Bermuda.

In accordance with and subject to section 42A of the Companies Act, the Memorandum of Association empowers the Company to purchase its own shares and pursuant to its Bye-laws, this power is exercisable by the board of Directors (the “board”) upon such terms and subject to such conditions as it thinks fit.

2. BYE-LAWS

The Bye-laws were conditionally adopted on 20 October 2015 to take effect on the Listing Date. The following is a summary of certain provisions of the Bye-laws:

(a) Directors

(i) *Power to allot and issue shares and warrants*

Subject to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Act, any preference shares may be issued or converted into shares that are liable to be redeemed, at a determinable date or at the option of the Company or, if so authorised by the Memorandum of Association, at the option of the holder, on such terms and in such manner as the Company before the issue or conversion may by ordinary resolution determine. The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Act, the Bye-laws, any direction that may be given by the Company in general meeting and, where applicable, the rules of any Designated Stock Exchange (as defined in the Bye-laws) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) *Power to dispose of the assets of the Company or any of its subsidiaries*

There are no specific provisions in the Bye-laws relating to the disposal of the assets of the Company or any of its subsidiaries.

Note: The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Bye-laws or the Companies Act to be exercised or done by the Company in general meeting.

(iii) *Compensation or payments for loss of office*

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retire from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) *Loans and provision of security for loans to Directors*

There are no provisions in the Bye-laws relating to the making of loans to Directors. However, the Companies Act contains restrictions on companies making loans or providing security for loans to their directors, the relevant provisions of which are summarised in the paragraph headed “4. Bermuda Company Law” in this Appendix.

(v) *Financial assistance to purchase shares of the Company*

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Bye-laws) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(vi) *Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of auditor of the Company) in conjunction with his office of Director for such period and, subject to the Companies Act, upon such terms as the board may determine, and may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Bye-laws. A Director may be or become a director or other officer of, or a member of, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Bye-laws, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Act and to the Bye-laws, no Director or proposed or intending Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates (as defined in the Bye-laws) is materially interested but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vii) ***Remuneration***

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such remuneration (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall

also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Bye-law. A Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependants or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependants, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependants are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(viii) *Retirement, appointment and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Note: There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or, subject to authorisation by the members in general meeting, as an addition to the existing board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the members in general meeting. Any Director appointed by the board to fill a casual vacancy shall hold office until the first general meeting of Members after his appointment and be subject to re-election at such meeting and any Director appointed 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. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) provided that the notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention to do so and be served on such Director fourteen (14) days before the meeting and, at such meeting, such Director shall be entitled to be heard on the motion for his removal. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors unless otherwise determined from time to time by members of the Company.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period (subject to their continuance as Directors) and upon such terms as the board may determine and the board may revoke or terminate any of such appointments (but without prejudice to any claim for damages that such Director may have against the Company or vice versa). The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ix) ***Borrowing powers***

The board may from time to time at its discretion exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Bye-laws in general, can be varied with the sanction of a special resolution of the Company.

(b) Alterations to constitutional documents

The Bye-laws may be rescinded, altered or amended by the Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association, to confirm any such rescission, alteration or amendment to the Bye-laws or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Act:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association;
- (v) change the currency denomination of its share capital;
- (vi) make provision for the issue and allotment of shares which do not carry any voting rights; and
- (vii) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may, by special resolution, subject to any confirmation or consent required by law, reduce its authorised or issued share capital or, save for the use of share premium as expressly permitted by the Companies Act, any share premium account or other undistributable reserve.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths 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 Bye-laws relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons or (in the case of a member being a corporation) its duly authorised representative holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or (in the case of a member being a corporation) its duly authorised representative or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

(e) Special resolution-majority required

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Bye-laws (see paragraph 2(i) below for further details).

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Bye-laws, at any general meeting on a poll every member present in person or by proxy or (being a corporation) by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share.

A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on

behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares held by that clearing house (or its nominee(s)) in respect of the number and class of shares specified in the relevant authorisation including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Bye-laws), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year other than the year in which its statutory meeting is convened at such time (within a period of not more than 15 months after the holding of the last preceding annual general meeting unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Bye-laws)) and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the provisions of the Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or, subject to the Companies Act, 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 of inspecting any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

Subject to the Companies Act, a printed copy of the Directors' report, accompanied by the balance sheet and profit and loss account, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of the Company under convenient heads and a statement of income and expenditure, together with a copy of the auditors' report, shall be sent to each person entitled thereto at least twenty-one (21) days before the date of the general meeting and at the same time as the notice of annual general meeting and laid before the Company at the annual general meeting in accordance with the requirements of the Companies Act provided that this provision shall not require a copy of those documents to be sent to any person whose address the Company is not aware of or to more than one of the joint holders of any shares or debentures; however, to the extent permitted by and subject to

compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Bye-laws), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Subject to the Companies Act, at the annual general meeting or at a subsequent special general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the members appoint another auditor. Such auditor may be a member but no Director or officer or employee of the Company shall, during his continuance in office, be eligible to act as an auditor of the Company. The remuneration of the auditor shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than Bermuda. If the auditing standards of a country or jurisdiction other than Bermuda are used, the financial statements and the report of the auditor should disclose this fact and name such country and jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings (including a special general meeting) must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange (as defined in the Bye-laws), it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together representing not less than ninety-five per cent (95%) of the total voting rights at the meeting of all the members.

(j) Transfer of shares

All transfers of shares may be effected in any manner permitted by and in accordance with the rules of the Designated Stock Exchange by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in Bermuda or such other place in Bermuda at which the principal register is kept in accordance with the Companies Act.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Bye-laws) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in an appointed newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Bye-laws), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Bye-laws supplement the Company's Memorandum of Association (which gives the Company the power to purchase its own shares) by providing that the power is exercisable by the board upon such terms and conditions as it thinks fit.

(l) Power for any subsidiary of the Company to own shares in the Company

There are no provisions in the Bye-laws relating to ownership of shares in the Company by a subsidiary.

(m) Dividends and other methods of distribution

Subject to the Companies Act, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board. The Company in general meeting may also make a distribution to its members out of contributed surplus (as ascertained in accordance with the Companies Act). No dividend shall be paid or distribution made out of contributed surplus if to do so would render the Company unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than its liabilities.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to a member by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of

the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

(n) **Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

(o) **Call on shares and forfeiture of shares**

Subject to the Bye-laws and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect.

Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

The register and branch register of members shall be open to inspection between 10:00 a.m. and 12:00 noon during business hours by members of the public without charge at the registered office or such other place in Bermuda at which the register is kept in accordance with the Companies Act, unless the register is closed in accordance with the Companies Act.

(q) Quorum for meetings and separate class meetings

For all purposes 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.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Bye-laws relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Bermuda law, as summarised in paragraph 4(e) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of

different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

The Company may 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 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Bye-laws) giving notice of its intention to sell such shares and a period of three months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Bye-laws), has elapsed since such advertisement and the Designated Stock Exchange (as defined in the Bye-laws) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Other provisions

The Bye-laws provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

The Bye-laws also provide that the Company is required to maintain at its registered office a register of directors and officers in accordance with the provisions of the Companies Act and such register is open to inspection by members of the public without charge between 10:00 a.m. and 12:00 noon during business hours.

3. VARIATION OF MEMORANDUM OF ASSOCIATION AND BYE-LAWS

The Memorandum of Association may be altered by the Company in general meeting. The Bye-laws may be amended by the Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association or to confirm any amendment to the Bye-laws or to change the name of the Company. For these purposes, a resolution is a special resolution if it has been passed by a

majority of not less than three-fourths of the votes cast by such members of the Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than twenty-one (21) clear days' and not less than ten clear business days' notice specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, a general meeting may be called by shorter notice if it is so agreed by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together holding not less than 95 percent in nominal value of the shares giving that right.

4. BERMUDA COMPANY LAW

The Company is incorporated in Bermuda and, therefore, operates subject to Bermuda law. Set out below is a summary of certain provisions of Bermuda company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Bermuda company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Share capital

The Companies Act 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", to which the provisions of the Companies Act relating to a reduction of share capital of a company shall apply as if the share premium account was paid up share capital of the company except that the share premium account may be applied by the company:

- (i) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;
- (ii) in writing off:
 - (aa) the preliminary expenses of the company; or
 - (bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or
- (iii) in providing for the premiums payable on redemption of any shares or of any debentures of the company.

In the case of an exchange of shares the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company.

The Companies Act permits a company to issue preference shares and subject to the conditions stipulated therein to convert those preference shares into redeemable preference shares.

The Companies Act includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. Where provision is made by the memorandum of association or bye-laws for authorising the variation of rights attached to any class of shares in the company, 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, and where no provision for varying such rights is made in the memorandum of association or bye-laws and nothing therein precludes a variation of such rights, the written consent of the holders of three-fourths of the issued shares of that class or the sanction of a resolution passed as aforesaid is required.

(b) Financial assistance to purchase shares of a company or its holding company

There is no longer any statutory restriction in Bermuda on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in accordance with their fiduciary duties to the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(c) Purchase of shares and warrants by a company and its subsidiaries

A company may, if authorised by its memorandum of association or bye-laws, purchase its own shares. Such purchases may only be effected out of the capital paid up on the purchased shares or out of the funds of the company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of shares made for the purpose. Any premium payable on a purchase over the par value of the shares to be purchased must be provided for out of funds of the company otherwise available for dividend or distribution or out of the company's share premium account. Any amount due to a shareholder on a purchase by a company of its own shares may (i) be paid in cash; (ii) be satisfied by the transfer of any part of the undertaking or property of the company having the same value; or (iii) be satisfied partly under (i) and partly under (ii). Any purchase by a company of its own shares may be authorised by its board of directors or otherwise by or in accordance with the provisions of its bye-laws. Such purchase may not be made if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the company is, or after the purchase would be, unable to pay its liabilities as they become due. The shares so purchased may either be cancelled or held as treasury shares. Any purchased shares that are cancelled will, in effect, revert to the status of authorised but unissued shares. If shares of the company are held as treasury shares, the company is prohibited to exercise any rights in respect of those shares, including any right to attend and vote at meetings, including a meeting under a scheme of arrangement, and any purported exercise of such a right is void. No dividend shall be paid to the company in respect of shares held by the company as treasury shares; 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) shall be made to the company in

respect of shares held by the company as treasury shares. Any shares allotted by the company as fully paid bonus shares in respect of shares held by the company as treasury shares shall be treated for the purposes of the Companies Act as if they had been acquired by the company at the time they were allotted.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Bermuda law that a company's memorandum of association or its bye-laws contain a specific provision enabling such purchases.

Under Bermuda law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. A company, whether a subsidiary or a holding company, may only purchase its own shares if it is authorised to do so in its memorandum of association or bye-laws pursuant to section 42A of the Companies Act.

(d) Dividends and distributions

A company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of the company's assets would thereby be less than its liabilities. Contributed surplus is defined for purposes of section 54 of the Companies Act to include the proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital and donations of cash and other assets to the company.

(e) Protection of minorities

Class actions and derivative actions are generally not available to shareholders under the laws of Bermuda. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of the company's memorandum of association and bye-laws. Furthermore, consideration would be given by the court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than actually approved it.

Any member of a company who complains that the affairs of the company are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members, including himself, may petition the court which may, if it is of the opinion that to wind up the company would unfairly prejudice that part of the members but that otherwise the facts would justify the making of a winding up order on just and equitable grounds, make such order as it thinks fit, whether for regulating the conduct of the company's affairs in future or for the purchase of shares of any members of the company by other members of the company or by the company itself and in the case of a purchase by the company itself, for the reduction accordingly of the company's capital,

or otherwise. Bermuda law also provides that the company may be wound up by the Bermuda court, if the court is of the opinion that it is just and equitable to do so. Both these provisions are available to minority shareholders seeking relief from the oppressive conduct of the majority, and the court has wide discretion to make such orders as it thinks fit.

Except as mentioned above, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in Bermuda.

A statutory right of action is conferred on subscribers of shares in a company against persons, including directors and officers, responsible for the issue of a prospectus in respect of damage suffered by reason of an untrue statement therein, but this confers no right of action against the company itself. In addition, such company, as opposed to its shareholders, may take action against its officers including directors, for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company.

(f) Management

The Companies Act contains no specific restrictions 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 interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Furthermore, the Companies Act requires that every officer should comply with the Companies Act, regulations passed pursuant to the Companies Act and the bye-laws of the company. The directors of a company may, subject to the bye-laws of the company, exercise all the powers of the company except those powers that are required by the Companies Act or the bye-laws to be exercised by the members of the company.

(g) Accounting and auditing requirements

The Companies Act requires a company to 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 in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Furthermore, it requires that a company keeps its records of account at the registered office of the company or at such other place as the directors think fit and that such records shall at all times be open to inspection by the directors or the resident representative of the company. If the records of account are kept at some place outside Bermuda, there shall be kept at the office of the company in Bermuda such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each three month period, except that where the company is listed on an appointed stock exchange, there shall be kept such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each six month period.

The Companies Act requires that the directors of the company must, at least once a year, lay before the company in general meeting financial statements for the relevant accounting period. Further, the company's auditor must audit the financial statements so as to enable him to report to the members. Based on the results of his audit, which must be made in accordance with generally accepted auditing standards, the auditor must then make a report to the members. The generally accepted auditing standards may be those of a country or jurisdiction other than Bermuda or such other generally accepted auditing standards as may be appointed by the Minister of Finance of Bermuda under the Companies Act; and where the generally accepted auditing standards used are other than those of Bermuda, the report of the auditor shall identify the generally accepted auditing standards used. All members of the company are entitled to receive a copy of every financial statement prepared in accordance with these requirements, at least five (5) days before the general meeting of the company at which the financial statements are to be tabled. A company the shares of which are listed on an appointed stock exchange may send to its members summarized financial statements instead. The summarized financial statements must be derived from the company's financial statements for the relevant period and contain the information set out in the Companies Act. The summarized financial statements sent to the company's members must be accompanied by an auditor's report on the summarized financial statements and a notice stating how a member may notify the company of his election to receive financial statements for the relevant period and/or for subsequent periods.

The summarized financial statements together with the auditor's report thereon and the accompanied notice must be sent to the members of the company not less than twenty-one (21) days before the general meeting at which the financial statements are laid. Copies of the financial statements must be sent to a member who elects to receive the same within seven (7) days of receipt by the company of the member's notice of election.

(h) Auditors

Unless the requirement to appoint an auditor is waived by all of the shareholders and all of the directors, either in writing or at the general meeting, any auditor appointed shall hold office until a successor is appointed by the members or if the members fail to do so until the directors appoint a successor.

A person, other than an incumbent auditor, shall not be capable of being appointed auditor at a general meeting unless notice in writing of an intention to nominate that person to the office of auditor has been given not less than twenty-one (21) days before the general meeting. The company must send a copy of such notice to the incumbent auditor and give notice thereof to the members not less than seven (7) days before the general meeting. An incumbent auditor may, however, by notice in writing to the secretary of the company waive the requirements of the foregoing.

Where an auditor is appointed to replace another auditor, the new auditor must seek from the replaced auditor a written statement as to the circumstances of the latter's replacement. If the replaced auditor does not respond within fifteen (15) days, the new auditor may act in any event. An appointment as auditor of a person who has not requested a written statement from the replaced auditor is voidable by a resolution of the shareholders at a general meeting. An auditor who has resigned, been removed or whose term of office has expired or is about to expire, or who has vacated office is entitled

to attend the general meeting of the company at which he is to be removed or his successor is to be appointed; to receive all notices of, and other communications relating to, that meeting which a member is entitled to receive; and to be heard at that meeting on any part of the business of the meeting that relates to his duties as auditor or former auditor.

(i) Exchange control

An exempted company is usually designated as “non-resident” for Bermuda exchange control purposes by the Bermuda Monetary Authority. Where a company is so designated, it is free to deal in currencies of countries outside the Bermuda exchange control area which are freely convertible into currencies of any other country. The permission of the Bermuda Monetary Authority is required for the issue of shares and securities by the company and the subsequent transfer of such shares and securities. In granting such permission, the Bermuda Monetary Authority accepts no responsibility for the financial soundness of any proposals or for the correctness of any statements made or opinions expressed in any document with regard to such issue. Before the company can issue or transfer any further shares and securities in excess of the amounts already approved, it must obtain the prior consent of the Bermuda Monetary Authority.

The Bermuda Monetary Authority has granted general permission for the issue and transfer of shares and securities to and between persons regarded as resident outside Bermuda for exchange control purposes without specific consent for so long as any equity securities, including shares, are listed on an appointed stock exchange (as defined in the Companies Act). Issues to and transfers involving persons regarded as “resident” for exchange control purposes in Bermuda will be subject to specific exchange control authorisation.

(j) Taxation

Under present Bermuda law, no Bermuda withholding tax on dividends or other distributions, nor any Bermuda tax computed on profits or income or on any capital asset, gain or appreciation will be payable by an exempted company or its operations, nor is there any Bermuda tax in the nature of estate duty or inheritance tax applicable to shares, debentures or other obligations of the company held by non-residents of Bermuda. Furthermore, a company may apply to the Minister of Finance of Bermuda for an assurance, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, that no such taxes shall be so applicable until 31st March 2035, although this assurance will not prevent the imposition of any Bermuda tax payable in relation to any land in Bermuda leased or let to the company or to persons ordinarily resident in Bermuda.

(k) Stamp duty

An exempted company is exempt from all stamp duties except on transactions involving “Bermuda property”. This term relates, essentially, to real and personal property physically situated in Bermuda, including shares in local companies (as opposed to exempted companies). Transfers of shares and warrants in all exempted companies are exempt from Bermuda stamp duty.

(l) Loans to directors

Bermuda law prohibits the making of loans by a company to any of its directors or to their families or companies in which they hold more than a twenty per cent. (20%) interest, without the consent of any member or members holding in aggregate not less than nine-tenths of the total voting rights of all members having the right to vote at any meeting of the members of the company. These prohibitions do not apply to (a) anything done to provide a director with funds to meet the expenditure incurred or to be incurred by him for the purposes of the company, provided that the company gives its prior approval at a general meeting or, if not, the loan is made on condition that it will be repaid within six months of the next following annual general meeting or in the case of a company that has made an election to dispense with annual general meetings in accordance with the Companies Act, at or before the next following general meeting which shall be convened within 12 months of the authorisation of the making of the loan, if the loan is not approved at or before such meeting, (b) in the case of a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons, anything done by the company in the ordinary course of that business, or (c) any advance of moneys by the company to any officer or auditor under Section 98(2)(c) of the Companies Act which allows the company to advance moneys to an officer or auditor of the company for the costs incurred in defending any civil or criminal proceedings against them, on condition that the officer or auditor shall repay the advance if any allegation of fraud or dishonesty is proved against them. If the approval of the company is not given for a loan, the directors who authorised it will be jointly and severally liable for any loss arising therefrom.

(m) Inspection of corporate records

Members of the general public have the right to inspect the public documents of a company available at the office of the Registrar of Companies in Bermuda which will include the company's certificate of incorporation, its memorandum of association (including its objects and powers) and any alteration to the company's memorandum of association. The members of the company have the additional right to inspect the bye-laws of a company, minutes of general meetings and the company's audited financial statements. Minutes of general meetings of a company are also open for inspection by directors of the company without charge for not less than two (2) hours during business hours each day. The register of members of a company is open for inspection by members of the public without charge. The company is required to maintain its share register in Bermuda but may, subject to the provisions of the Companies Act, establish a branch register outside Bermuda. Any branch register of members established by the company is subject to the same rights of inspection as the principal register of members of the company in Bermuda. Any person may on payment of a fee prescribed by the Companies Act require a copy of the register of members or any part thereof which must be provided within fourteen (14) days of a request. Bermuda law does not, however, provide a general right for members to inspect or obtain copies of any other corporate records.

A company is required to maintain a register of directors and officers at its registered office and such register must be made available for inspection for not less than two (2) hours in each day by members of the public without charge. If summarized financial statements are sent by a company to its members pursuant to section 87A of the Companies Act, a copy of the summarized financial statements must be made available for inspection by the public at the registered office of the company in Bermuda.

(n) **Winding up**

A company may be wound up by the Bermuda court on application presented by the company itself, its creditors or its contributors. The Bermuda court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Bermuda court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where, on a voluntary winding up, a majority of directors make a statutory declaration of solvency, the winding up will be a members' voluntary winding up. In any case where such declaration has not been made, the winding up will be a creditors' voluntary winding up.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators within the period prescribed by the Companies Act for the purpose of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one month's notice published in an appointed newspaper in Bermuda.

In the case of a creditors' voluntary winding up of a company, the company must call a meeting of creditors of the company to be summoned on the day following the day on which the meeting of the members at which the resolution for winding up is to be proposed is held. Notice of such meeting of creditors must be sent at the same time as notice is sent to members. In addition, such company must cause a notice to appear in an appointed newspaper on at least two occasions.

The creditors and the members at their respective meetings may nominate a person to be liquidator for the purposes of winding up the affairs of the company provided that if the creditors nominate a different person, the person nominated by the creditors shall be the liquidator. The creditors at the creditors' meeting may also appoint a committee of inspection consisting of not more than five persons.

If a creditors' winding up continues for more than one year, the liquidator is required to summon a general meeting of the company and a meeting of the creditors at the end of each year to lay before such meetings an account of his acts and dealings and of the conduct of the winding up during the preceding year. As soon as the affairs of the company are fully wound up, the liquidator must make 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 shall call a general meeting of the company and a meeting of the creditors for the purposes of laying the account before such meetings and giving an explanation thereof.

5. GENERAL

Conyers Dill & Pearman, the Company's legal adviser on Bermuda law, have sent to the Company a letter of advice summarising certain aspects of Bermuda company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the paragraph headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection — Documents Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Bermuda 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 AND OUR GROUP**1. Incorporation of our Company**

Our Company was incorporated as an exempted company in Bermuda under the Companies Act with limited liability on 29 May 2015. Our Company's registered office is located as at the date of this prospectus at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

We have been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 28 August 2015 and our principal place of business in Hong Kong is at Room 2308, 23/F, Wing On Centre, 111 Connaught Road Central, Hong Kong. Mr. Chan and Ms. Wan Ka Yee have been appointed as the authorised representatives of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in Bermuda, it operates subject to Bermuda law and its constitutive documents comprising the Memorandum of Association and the Bye-laws. A summary of the certain parts of our constitution and relevant aspects of the Companies Act is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

As at the date of incorporation of our Company, the authorised share capital of our Company was HK\$78,000.0 divided into 780,000 Shares of HK\$0.1 each. The following alterations in the share capital of our Company have taken place since its date of incorporation up to the date of this prospectus:

- (i) On 19 June 2015, one Share was issued and allotted to Chinney Construction at par.
- (ii) On 15 October 2015, the authorised share capital of our Company was increased from HK\$78,000.0 divided into 780,000 Shares to HK\$300,000,000.0 divided into 3,000,000,000 Shares by creation of an additional 2,999,220,000 Shares.
- (iii) On 15 October 2015, our Company acquired from Chinney Construction the entire issued share capital of Kin Wing pursuant to the Share Purchase Agreement at a consideration of HK\$1,622, which is equivalent to the book value of the investment cost in Kin Wing. Such consideration was satisfied by our Company allotting and issuing 9,999 new Shares credited as fully paid up to Chinney Construction.
- (iv) On 15 October 2015, the board of directors of Chinney Construction declared a special dividend by way of distribution in specie of its entire shareholding in our Company in favour of Chinney Alliance and the board of directors of Chinney Alliance in turn declared a special dividend by way of distribution of specie of its entire shareholding in our Company in favour of CAG. As a result, the total issued capital of our Company comprised of HK\$1,000.0 divided into 10,000 Shares was held by CAG and our Company in turn held the entire issued share capital of Kin Wing.

- (v) On 20 October 2015, our sole Shareholder resolved that conditional on the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorised to capitalise the sum of HK\$111,749,000.0 (or any such amount any one Director may determine) from the amount standing to the credit of the share premium account of our Company and apply such sum in paying up in full at par 1,117,490,000 Shares (or any such number of Shares by any one Director may determine) for allotment and issue to our Shareholders whose names appeared on the register of members of our Company at close of business on 20 October 2015 (or another date as our Directors may direct) in proportion to their then existing Shareholdings in our Company and such Shares to be allotted and issued shall rank pari passu in all respects with our existing issued Shares.
- (vi) Immediately after the Capitalisation Issue and the Global Offering (assuming that all Qualifying CAG Shareholders, except Enhancement Investments, Multi-Investment and Chinney Capital, take up their respective Preferential Entitlements under the Preferential Offer in full, and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option), CAG, the Qualifying CAG Shareholders and the New Public Shareholders will respectively hold approximately 74.5%, 2.295% and 23.205% of the enlarged issued share capital of our Company.
- (vii) Save as disclosed in the paragraph headed “3. Written resolutions of our sole Shareholder” in this Appendix, there has been no alteration in the share capital of our Company since the date of incorporation.

3. Written resolutions of our sole Shareholder

Pursuant to the written resolutions of our sole Shareholder passed on 15 October 2015, among other things, the authorised share capital of our Company was increased from HK\$78,000.0 divided into 780,000 Shares to HK\$300,000,000.0 divided into 3,000,000,000 Shares by the creation of an additional 2,999,220,000 Shares.

Pursuant to the written resolutions of our sole Shareholder passed on 20 October 2015, among other things:

- (i) conditional on the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorised to capitalise the sum of HK\$111,749,000.0 (or any such amount any one Director may determine) and apply the same in paying up in full at par 1,117,490,000 Shares (or any such number of Shares any one Director may determine) for allotment and issue to the Shareholders whose names appeared on the register of members of our Company at the close of business on 20 October 2015 (or another date as our Directors may direct) in proportion to their then existing shareholdings in our Company and such Shares to be allotted and issued shall rank pari passu in all respects with our existing issued Shares;

- (ii) the Bye-laws were approved and adopted in substitution for and to the exclusion of the existing Bye-laws to become immediately effective conditional on the Listing of the Shares on the Stock Exchange on the Listing Date;
- (iii) conditional upon (1) the Listing Committee granting approval of the listing of and permission to deal in the Shares in issue and to be issued pursuant to the Global Offering, the Capitalisation Issue and the Over-allotment Option; (2) the Offer Price having been fixed on the Price Determination Date; and (3) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional or waived (including, if relevant, as a result of the waiver of any condition(s) by the Sole Global Coordinator (for itself and on behalf of the Underwriter)) and the Underwriting Agreements not being terminated in accordance with its terms or otherwise, the Spin-off, the Global Offering and the Over-allotment Option were approved and any one Director is authorised and directed to (a) implement the Spin-off, the Global Offering and the Over-allotment Option; (b) to allot and issue the Offer Shares pursuant to the Global Offering and the Over-allotment Option and such number of Shares as may be required to be allotted and issued on and subject to the terms and conditions stated in the prospectus and the relevant Application Forms; and (c) to do all things and execute all documents in connection with or incidental to the Spin-off and the Global Offering and the Over-allotment Option subject to such modifications, amendments, variations or otherwise (if any) as may be made by our Board (or any committee of the Board thereof established by our Board) in its absolute discretion, and our Board or any such committee of the Board or any one Director was authorised and directed to effect such modifications, amendments variations or otherwise as necessary or appropriate;
- (iv) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with (otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the Bye-laws, or an issue of Shares upon the exercise of the Over-allotment Option or any options which may be granted under any option scheme or similar arrangement for the time being adopted) Shares with an aggregate nominal amount not exceeding 20.0% of the aggregate nominal value of the issued share capital of our Company immediately following completion of the Spin-off, the Capitalisation Issue and the Global Offering, such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next general meeting of our Company is required by the Bye-laws or any applicable laws of Bermuda to be held, or the passing of an ordinary resolution of the Shareholders in a general meeting revoking, varying or renewing such mandate, whichever is the earliest;
- (v) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, with a total nominal value of not more than 10.0% of the aggregate nominal value of our Company's share capital in issue immediately following completion of the Spin-off, the Capitalisation Issue and the Global Offering until the conclusion of the next annual general meeting of our Company, the expiration of the period

within which the next annual general meeting of our Company is required by the Bye-laws or any applicable laws of Bermuda to be held, or the passing of an ordinary resolution of the Shareholders in a general meeting revoking, varying or renewing such mandate which is the earliest;

- (vi) the extension of the general mandate to allot, issue and deal with the Shares as mentioned in sub-paragraph (iv) by the addition to the aggregate nominal value of the share capital of our Company which may be allotted and issued or agreed conditionally or unconditionally to be allotted or issued 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 sub-paragraph (v) above, provided that such extended amount shall not exceed 10.0% of the aggregate of the total nominal value of the share capital of our Company in issue immediately following completion of the Spin-off, the Capitalisation Issue and the Global Offering (including any Shares which may be issued upon the exercise of the Over-allotment Option);

Immediately following the Global Offering becoming unconditional and the issue of Shares as mentioned herein being made, but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option, the authorised share capital of our Company will be HK\$300,000,000.0 divided into 3,000,000,000 Shares and the issued share capital will be HK\$150,000,000.0 divided into 1,500,000,000 Shares, all fully paid or credited as fully paid and 1,500,000,000 Shares will remain unissued. There is no present intention to issue any of the authorised but unissued share capital of our Company and no issue of Shares which would effectively alter the control of our Company will be made without the prior approval of our Shareholders in a general meeting.

4. Reorganisation

In preparation for the Listing, the companies comprising our Group underwent the Reorganisation and our Company became the holding company of our Group. For information with regard to the Reorganisation, please refer to the paragraph headed “History and Corporate Structure — Our Reorganisation” in this prospectus.

5. Our Subsidiaries

Our subsidiaries are set out in the “Accountants’ Report”, the text of which is set out in Appendix I to this prospectus.

6. Changes in share capital of our subsidiaries

Our Company’s subsidiaries are referred to in the “Accountants’ Report”, the text of which is set out in Appendix I to this prospectus. Save for the subsidiaries mentioned in Appendix I to this prospectus, our Company has no other subsidiaries. There has been no alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus.

7. Repurchase by our Company of its own securities

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(1) *Relevant legal and regulatory requirements*

The Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase their own shares on the Stock Exchange subject to certain restrictions, amongst which it is provided that:-

(a) *Shareholders' approval*

All proposed repurchases of securities (which must be fully-paid up in the case of shares) on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its shareholders, either by way of a general mandate or by specific approval of a particular transaction.

Pursuant to the written resolutions of our sole Shareholder passed on 20 October 2015, the Repurchase Mandate was given to our Directors to exercise all the powers of our Company to repurchase, on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, Shares with an aggregate nominal amount not exceeding 10.0% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Spin-off, the Capitalisation Issue and the Global Offering. The Repurchase Mandate will remain in effect until (a) the conclusion of the next annual general meeting of our Company, (b) the expiration of the period within which the next annual general meeting of our Company is required by any applicable laws or the Bye-laws to be held or (c) the passing of an ordinary resolution by Shareholders in general meeting revoking, varying or renewing the Repurchase Mandate, whichever is the earliest.

(b) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Bye-laws of our Company and the Listing Rules and the applicable laws in Bermuda. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Any repurchases by our Company may be made out of the capital paid up on the repurchased Shares or out of the funds of the Company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of Shares made for the purpose. Any premium payable on a repurchase over the par value of the Shares to be repurchased must be provided for out of funds of the Company otherwise available for dividend or distribution or out of the Company's share premium account.

(2) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Repurchases of Shares will only be made when and to the extent that our Directors believe that such repurchases will benefit our Company and our Shareholders. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or the earnings per Share.

(3) *Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Bye-laws, the Listing Rules and the applicable laws of Bermuda.

There could be a material adverse impact on the working capital or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the Repurchase Mandate was to be carried out in full at any time during the share repurchase period. However, our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(4) *Number of Shares which may be repurchased*

On the basis of 1,500,000,000 Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account the exercise of the Over-allotment Option), our Directors would be authorised under the Repurchase Mandate to repurchase up to 150,000,000 Shares during the period in which the Repurchase Mandate remains in force.

(5) *General*

None of our Directors nor, to the best of their knowledge, having made all reasonable enquiries, any of their respective associates, have any present intention, if the Repurchase Mandate is exercised, to sell any Shares to our Company or its subsidiaries.

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 Bye-laws and the applicable laws and regulations of Bermuda.

If as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert (as defined in the Takeovers Code), depending on the level of increase of the Shareholder's interest, could

obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases of Shares pursuant to the Repurchase Mandate.

Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of the Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding public shareholding. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent that in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

No connected person of our Company has notified our Company that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of our business) within the two years immediately preceding the date of this prospectus which are or may be material:-

- a) the Share Purchase Agreement;
- b) the deed of assignment and novation of loan entered into between Kin Wing, Chinney Construction, CAG and DrilTech Geotechnical on 15 October 2015, pursuant to which (i) DrilTech Geotechnical assigned all its rights, title, interests and benefits of and in the DT Loan to Kin Wing absolutely; and (ii) Chinney Construction assumed all of CAG's obligations and liabilities to repay to DrilTech Geotechnical the DT Loan, each in consideration of an amount equal to the DT Loan of HK\$6,000,000;
- c) the deed of assignment and novation of loan entered into between Kin Wing, Chinney Construction, CAG and Kin Wing Foundations on 15 October 2015, pursuant to which (i) Kin Wing Foundations assigned all its rights, title, interests and benefits of and in the KWF Loan to Kin Wing absolutely; and (ii) Chinney Construction assumed all of CAG's obligations and liabilities to repay to Kin Wing Foundations the KWF Loan, each in consideration of an amount equal to the KWF Loan of HK\$14,962,000;
- d) the deed of assignment and novation of loan entered into between Kin Wing, Chinney Construction, CAG and Kin Wing Engineering on 15 October 2015, pursuant to which (i) Kin Wing Engineering assigned all its rights, title, interests and benefits of and in the KWE Loan to Kin Wing absolutely; and (ii) Chinney Construction assumed all of CAG's obligations and liabilities to repay to Kin Wing Engineering the KWE Loan, each in consideration of an amount equal to the KWE Loan of HK\$1,000,000;

- e) the Deed of Non-competition;
- f) the Deed of Indemnity; and
- g) the Hong Kong Underwriting Agreement.

2. Our intellectual property rights

As of the Latest Practicable Date, our Group has registered or has applied for the registration of the following intellectual property rights which are material to our Group's business.

(a) Trademarks

As of the Latest Practicable Date, members of our Group have applied for the registration of the following marks in Hong Kong which are material to our business:

Trademark	Class	Registered Owner	Place of Registration	Application Number	Filing Date
(A) KIN WING (B)  (C) Kin Wing (D) kin wing	37, 42	Kin Wing Engineering	Hong Kong	303376828	16 April 2015
(A)  (B)  (C) 	37, 42	Kin Wing Engineering	Hong Kong	303376819	16 April 2015
(A) 建榮地基 (B)  (C) 建榮地基 (D) 建榮地基	37, 42	Kin Wing Engineering	Hong Kong	303376837	16 April 2015
(A)  (B) 	37, 42	DrilTech Ground	Hong Kong	303437505	10 June 2015

(b) *Domain names*

As of the Latest Practicable Date, members of our Group have registered the following domain names which are material to our business:

<u>Domain Name</u>	<u>Registrant</u>	<u>Expiry Date</u>
KINWING.COM.HK	Kin Wing Engineering	1 September 2016
DRILTECH.COM.HK	DrilTech Ground	Null
CHINNEYKINWING.COM.HK	Kin Wing Engineering	17 July 2018

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests or short positions of Directors and chief executive of our Company in the Shares, underlying Shares or debentures of our Company and its associated corporations

Immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account of: (i) any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option; (ii) any change to the capital structure of CAG between the Latest Practicable Date and the Record Date; and (iii) any Shares which may be taken up pursuant to the Preferential Offer or the Employee Preferential Offer), none of our Directors and chief executives of our Company has any interest and/or short position in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange.

2. Disclosure of interests and short positions of the substantial shareholders in the Shares and underlying Shares of our Group

Save as disclosed in the section headed “Substantial Shareholders” in this prospectus, our Directors or chief executive are not aware of any other person, not being a Director or chief executive of our Company, who has any interest or short position in the Shares and underlying Shares of our Company which, once the Shares are listed, would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, 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 our Company or any member of our Group.

3. Particulars of service contracts and letters of appointment

(1) *Executive Directors*

Each of our executive Directors has entered into a service contract with our Company for an initial term of three years with effect from the date of appointment and thereafter be continuous unless and until terminated by not less than three months' advance notice in writing served by either party on the other.

(2) *Independent non-executive Directors*

Each of our independent non-executive Directors has entered into a letter of appointment with our Company for a period of three years, in each case commencing from the date of appointment subject to the provision of retirement and rotation of Directors under the Bye-laws. Such appointment may be terminated by not less than one month's advance notice in writing served by either party on the other.

Our independent non-executive Directors are not contractually entitled to any bonus and/or other remuneration for holding their office as a Director.

4. Directors' Remuneration

- (a) The aggregate sums of approximately HK\$5.5 million, HK\$6.5 million, HK\$9.2 million and HK\$6.9 million were paid to our Directors as remuneration for each of the three financial years ended 31 December 2014 and the four months ended 30 April 2015 (being such part of the remuneration paid by the CAG Group to our Directors which was allocated to our Group as expenses by reference to their involvement in the operations of our Group). Further information in respect of our Directors' and chief executive's emoluments and employees' remuneration is set out in the "Accountants' Report" in Appendix I to this prospectus.
- (b) Under the arrangements currently in force, it is estimated that an aggregate of approximately HK\$4.5 million is payable by our Group to our Directors as remuneration (including benefits in kind but excluding any discretionary bonus which may be paid to any executive Director) for the financial year ending 31 December 2015.
- (c) None of our Directors or past directors of any member of our Group has been paid any sum of money for each of the three financial years ended 31 December 2014 and the four months ended 30 April 2015 for (a) loss of office as director of any member of our Group or any other office in connection with the management affairs of any member of our Group or (b) as an inducement to join or upon joining any member of our Group.

- (d) There has been no arrangement under which a Director has waived or agreed to waive any emoluments in each of the three financial years ended 31 December 2014 and the four months ended 30 April 2015.
- (e) None of our Directors has been or is interested in the promotion of, or in the property proposed to be acquired by, our Company, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him in connection with the promotion or formation of our Company.

5. Disclaimer

Save as disclosed in this Appendix:-

- (1) 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) immediately following completion of the Capitalisation Issue and the Global Offering (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have taken under such provision of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange;
- (2) save as disclosed in the section headed “Substantial Shareholders” in this prospectus, so far as is known to any of our Directors, no person (other than our Directors or chief executive of our Company) has an interest or short position in the Shares and underlying Shares of our Company immediately following completion of the Capitalisation Issue and the Global Offering (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option) 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 is 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, once the Shares are listed on the Stock Exchange;
- (3) none of our Directors nor experts referred to in the paragraph headed “D. Other Information — 9. Qualification and consent of experts” in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have, within the two years immediately preceding the date of this prospectus, been 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;

- (4) none of our Directors nor experts referred to in the paragraph headed “D. Other Information — 9. Qualification and consent 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;
- (5) 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
- (6) none of our Directors nor experts referred to in the paragraph headed “D. Other Information — 9. Qualification and consent of experts” in this Appendix has received any agency fee, commissions, discounts, brokerages or other special terms from our Group within the two years immediately preceding the date of this prospectus in connection with the issue or sale of any capital of any member of our Group.

D. OTHER INFORMATION

1. Indemnities

CAG (the “**Indemnifier**”) has entered into the Deed of Indemnity with our Company (for ourselves and as trustee for each of our subsidiaries) (being the contract referred to in paragraph (f) of the paragraph headed “B. Further Information about the Business — 1. Summary of material contracts” in this Appendix).

Under the Deed of Indemnity, the Indemnifier will indemnify and keep indemnified our Company (on our own behalf and as trustee for each of our subsidiaries) against, among other things, (a) all taxation falling on any member of our Group resulting from, or relating to, or in consequence of, or by reference to any income, profits or gains earned, accrued or received (or deemed to be so earned, accrued or received) and/or assets acquired by any member of our Group on or before the date on which the Global Offering becomes unconditional (the “**Effective Date**”); (b) any estate duty which is or becomes payable by any member of our Group by virtue of section 35 or under the provisions of section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) (or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) by reason of the death of any person and by reason of the assets of members of our Group or any of them being deemed for the purpose of estate duty to be included in the property passing on his or her death by reason of that person making or having made a relevant transfer to members of our Group or any of them on or before the Effective Date; and (c) all costs and expenses of any relocation of all or any part of our depot from the Land and all losses and damages which may be incurred or suffered by any member of our Group as a result of any of the issues relating to the Land as described in the paragraph headed “Business — Properties” in this prospectus.

The Indemnifier will, however, not be liable under the Deed of Indemnity where, among other things, (a) specific provision or reserve has been made for such liability in the audited combined accounts of our Group for the three years ended 31 December 2014 and the four months ended 30 April 2015 as set out in Appendix I to this prospectus; or (b) the liability arises or is increased as a result

only of a retrospective change in law or a retrospective increase in tax rates coming in force after the Effective Date; or (c) the liability would not have arisen but for any voluntary act of any member of our Group after the Effective Date which the relevant member of our Group ought reasonably to have known would give rise to such liability.

2. Litigation

Save as disclosed in the paragraph headed “Business — litigation and potential claims” in the prospectus, as at the Latest Practicable Date, no member of our Group is engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against any member of our Group, that would have a material adverse effect on the results of operations or financial position of our Group as a whole.

3. Sole Sponsor and Sole Sponsor’s fee

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for listing of, and permission to deal in, the Shares in issue and all the Shares to be issued as mentioned in this prospectus, including any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option.

All necessary arrangements have been made to enable the Shares to be admitted into the CCASS.

The Sole Sponsor is independent from our Company pursuant to Rule 3A.07 of the Listing Rules.

The fee payable by our Company to the Sole Sponsor to act as sponsor to our Company in connection with the Global Offering is approximately HK\$6.0 million.

4. Registration procedures

The register of members of our Company will be maintained in Bermuda by Codan Services Limited and a branch register of members of our Company will be maintained in Hong Kong by our Hong Kong Branch Share Registrar. 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 Hong Kong Branch Share Registrar and may not be lodged in Bermuda.

5. Taxation of holders of Shares

(a) Bermuda

Under the present Bermuda law, there is no stamp duty payable in Bermuda on transfers of Shares.

(b) *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 the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(c) *Generally*

Potential holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of applying for, purchasing, holding or disposing of, or dealing in, Shares. It is emphasised that none of our Company, our Directors, the Sole Sponsor, the Underwriters and all of their respective directors, agents or advisers nor any other parties involved in the Global Offering accepts responsibility for any tax effect on, or liabilities of, persons resulting from the subscription for, holding, purchase or disposal of or dealing in the Shares.

6. **Agency fees and commissions received**

The Underwriters will receive an underwriting commission as referred to in the paragraph headed "Underwriting — Underwriting Arrangements and Expenses — (d) Underwriting Commission and Listing Expenses" in this prospectus.

7. **Preliminary expenses**

The preliminary expenses of our Company are estimated to be approximately HK\$50,500.0 and have been paid by our Company.

8. **Promoter**

Our Company has no promoter for the purpose of the Listing Rules.

9. **Qualification and consent of experts**

The following are the qualifications of the experts which have given opinions or advice which are contained in, or referred to in, this prospectus:

Expert	Qualification
Baker Tilly Hong Kong Risk Assurance Limited	Internal control consultant to our Company
Chan Chung	Barrister-at-law of Hong Kong
Conyers Dill & Pearman	Bermuda barristers and attorneys
Ernst & Young	Certified public accountants

<u>Expert</u>	<u>Qualification</u>
Haitong International Capital Limited	Licensed corporation holding a license under the SFO to conduct Type 6 (advising on corporate finance) of the regulated activities (as defined in the SFO)
Ipsos Limited	Independent professional market research firm
Rato, Ling, Lei & Cortés — Advogados	Legal adviser to our Company as to Macau law

Each of the experts referred to above has given and has not withdrawn its written consent to the issue of this prospectus with inclusion of its report and/or letter and/or opinion and/or references to its name in the form and context in which they are respectively included.

10. **Binding effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

11. **Reserves available for distribution**

Our Company was incorporated on Bermuda and is an investment holding company. There were no reserves available for distribution to the Shareholders as of 30 April 2015.

12. **Miscellaneous**

- (a) Save as disclosed in this Appendix and the paragraph headed “History and Corporate Structure — Our Reorganisation” in this prospectus, within the two years immediately preceding the date of this prospectus:-
- (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no founders or management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;
 - (iv) 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 our subsidiaries; and

- (v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries.

- (b) Our Directors confirm that:-
 - (i) there has been no material adverse change in the financial or trading position or prospects of our Group since 30 April 2015 (being the date to which the latest audited consolidated financial statements of our Group were prepared); and
 - (ii) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial condition of our Group in the 12 months preceding the date of this prospectus.

- (c) All necessary arrangements have been made to enable our Shares to be admitted into CCASS for clearing and settlement.

- (d) No company within our Group is presently listed on any stock exchange or traded on any trading system.

- (e) We have no outstanding convertible debt securities.

- (f) There is no arrangement under which future dividends are waived or agreed to be waived.

- (g) None of the experts referred to in the paragraph headed “D. Other Information — 9. Qualification and consent of experts” in this Appendix:
 - (i) is interested legally or beneficially in any securities of any member of our Group; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

13. **Bilingual prospectus**

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in Section 4 of the Companies Ordinance (Exemption of Companies and Prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**APPENDIX V 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 the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of the **WHITE, YELLOW, GREEN, BLUE** and **PINK** Application Forms; (ii) the written consents referred to in the paragraph headed “D. Other Information — 9. Qualification and consent of experts” in Appendix IV to this prospectus; and (iii) copies of the material contracts referred to in the paragraph headed “B. Further Information about the Business — 1. Summary of material contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Deacons at 5th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (i) the Memorandum of Association and the Bye-laws;
- (ii) the audited combined financial statements of the companies comprising our Group for the three years ended 31 December 2014 and the four months ended 30 April 2015;
- (iii) the accountants’ report dated 30 October 2015 of our Group for the years ended 31 December 2012, 2013 and 2014 and the four-month period ended 30 April 2015 prepared by Ernst & Young, the text of which is set out in Appendix I to this prospectus;
- (iv) the assurance report dated 30 October 2015 on the compilation of the pro forma financial information of our Group prepared by Ernst & Young, the text of which is set out in Appendix II to this prospectus;
- (v) the material contracts referred to in the paragraph headed “B. Further Information about the Business — 1. Summary of material contracts” in Appendix IV to this prospectus;
- (vi) the service contracts with the executive Directors and the appointment letters with the independent non-executive Directors referred to in the paragraph headed “C. Further Information about our Directors and Substantial Shareholders — 3. Particulars of service contracts and letters of appointment” in Appendix IV to this prospectus;
- (vii) the written consents referred to in the paragraph headed “D. Other Information — 9. Qualification and consent of experts” in Appendix IV to this prospectus;
- (viii) the legal advices issued by Chan Chung, the Hong Kong Legal Counsel, as to certain aspects of Hong Kong law relating to the operations of our Company and our subsidiaries;

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
IN HONG KONG AND AVAILABLE FOR INSPECTION**

- (ix) the legal opinion prepared by Rato, Ling, Lei & Cortés — Advogados, the legal adviser to our Company as to Macau law, in respect of our Company and our subsidiaries in Macau;
- (x) the letter of advice prepared by Conyers Dill & Pearman, the legal adviser to our Company as to Bermuda law, summarising certain aspects of Bermuda company law referred to in Appendix III to this prospectus;
- (xi) the Companies Act;
- (xii) the Ipsos Report; and
- (xiii) the internal control review report dated 30 October 2015 commissioned by our Company and prepared by Baker Tilly, the independent internal control consultant to our Company, in respect of the internal control measures of our Company and our subsidiaries.



CHINNEY KIN WING HOLDINGS LIMITED
建業建榮控股有限公司*

