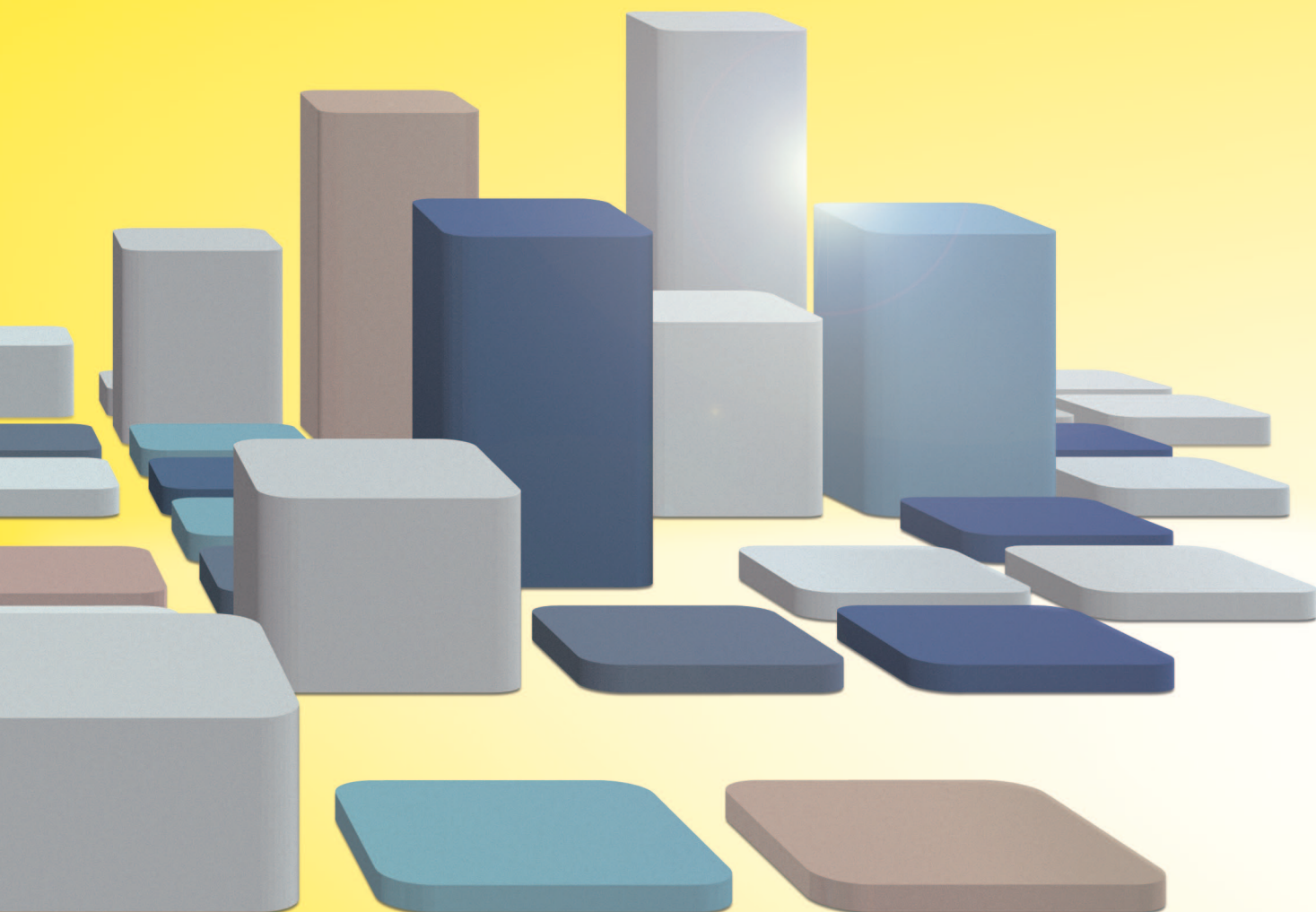


Clear Lift Holdings Limited 焯陞企業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1341

SHARE OFFER



Sole Sponsor

RHB 
RHB Capital Hong Kong Limited

Sole Global Coordinator

RHB 
RHB Securities Hong Kong Limited

Joint Bookrunners

RHB 
RHB Securities Hong Kong Limited

 **兴证国际**
INDUSTRIAL SECURITIES INTERNATIONAL

IMPORTANT

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

CLEAR LIFT HOLDINGS LIMITED

焯陞企業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

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

Number of Offer Shares : 250,000,000 Shares (subject to the Adjustment Options)
Number of Public Offer Shares : 25,000,000 Shares (subject to reallocation)
Number of Placing Shares : 141,744,000 New Shares and 83,256,000 Sale Shares (subject to reallocation and Adjustment Options)
Offer Price : Not more than HK\$0.48 per Offer Share and not less than HK\$0.32 per Offer Share (payable in full on application in Hong Kong dollars) plus brokerage of 1%, SFC transaction levy of 0.0027%, and Stock Exchange trading fee of 0.005%
Nominal value : HK\$0.01 per Share
Stock code : 1341

Sole Sponsor



RHB Capital Hong Kong Limited

Sole Global Coordinator



RHB Securities Hong Kong Limited

Joint Bookrunners



RHB Securities Hong Kong Limited



China Industrial Securities International Capital Limited

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

A copy of this prospectus, having attached thereto the documents specified in the section 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.

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

The Offer Price is currently expected to be fixed by agreement among the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, 3 December 2015, or such other date as may be agreed between our Company (for ourselves and on behalf of the Selling Shareholder) and the Sole Global Coordinator (for itself and on behalf of the Underwriters). The Offer Price will be not more than HK\$0.48 per Offer Share and is currently expected to be not less than HK\$0.32 per Offer Share unless otherwise announced. If our Company (for ourselves and on behalf of the Selling Shareholder) and the Sole Global Coordinator (for itself and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price on the Price Determination Date (or such later date as may be agreed between our Company (for ourselves and on behalf of the Selling Shareholder) and the Sole Global Coordinator (for itself and on behalf of the Underwriters)), the Share Offer will not proceed and will lapse immediately. In such case, an announcement will be made immediately by our Company on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.chimkeegroup.com.hk. The Sole Global Coordinator may with the consent of our Company reduce the indicative Offer Price range below that stated in this prospectus at any time prior to or prior to the morning of the last day for lodging applications under the Public Offer. If this occurs, a notice of reduction of the indicative Offer Price range will be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.chimkeegroup.com.hk. Further details are set out in the sections headed "Structure and conditions of the Share Offer" and "How to apply for the Public Offer Shares" in this prospectus.

Pursuant to the termination provisions contained in the Public Offer Underwriting Agreement in respect of the Public Offer Shares, the Sole Global Coordinator, on behalf of the Public Offer Underwriters, have the right in certain circumstances, in their absolute discretion, to terminate the obligation of the Public Offer Underwriters pursuant to the Public Offer Underwriting Agreement at any time prior to 8:00 a.m. on the Listing Date. Further details of the terms of the termination provisions are set out in the section headed "Underwriting — The Public Offer — Grounds for termination" in this prospectus. It is important that you refer to that section 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 that Offer Shares may be offered, sold or delivered to QIBs in reliance on an exemption from registration under the U.S. Securities Act provided by, and in accordance with the restrictions of, Rule 144A or another exemption from the registration requirements of the U.S. Securities Act. The Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in accordance with Regulation S.

30 November 2015

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable, our Company will issue a separate announcement to be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.chimkeegroup.com.hk.

2015⁽¹⁾

Latest time to complete electronic applications under the HK eIPO White Form service through the designated website at www.hkeipo.hk ⁽²⁾	11:30 a.m. on Thursday, 3 December
Application lists open ⁽³⁾	11:45 a.m. on Thursday, 3 December
Latest time to lodge WHITE and YELLOW Application Forms and to give electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Thursday, 3 December
Latest time to complete payment of HKeIPO White Form applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Thursday, 3 December
Application lists close ⁽³⁾	12:00 noon on Thursday, 3 December
Expected Price Determination Date ⁽⁵⁾	Thursday, 3 December
Announcement of the final Offer Price, the level of application in the Public Offer, the indication of level of interest in the Placing, and the basis of allotment of the Public Offer Shares to be published (a) in the South China Morning Post (in English) and Hong Kong Economic Journal (in Chinese); (b) on our Company's website at www.chimkeegroup.com.hk ; and (c) on the Stock Exchange's website at www.hkexnews.hk on or before	Wednesday, 9 December
Results of allocations in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available under a variety of channels as described in the section headed "How to apply for Public Offer Shares — Publication of results" in this prospectus including our Company's website at www.chimkeegroup.com.hk and the Stock Exchange's website at www.hkexnews.hk from	Wednesday, 9 December
Results of allocations in the Public Offer will be available at the designated result of allocation website at www.tricor.com.hk/ipo/result with a "search by ID" function	Wednesday, 9 December

EXPECTED TIMETABLE⁽¹⁾

2015⁽¹⁾

Despatch/collection of Share certificates of the Offer Shares or deposit of Share certificates of the Offer Shares into CCASS in respect of wholly or partially successful applications pursuant to the Public Offer on or before⁽⁶⁾ Wednesday, 9 December

Despatch/collection of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful applications pursuant to the Public Offer on or before⁽⁷⁾ Wednesday, 9 December

Dealing in the Shares on the Main Board expected to commence at 9:00 a.m. on Thursday, 10 December

Notes:

- 1 All times and dates refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and conditions of the Share Offer” in this prospectus.
- 2 You will not be permitted to submit your application 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 money) until 12:00 noon on the last day for submitting applications, when the application lists close.
- 3 If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force at any time between 9:00 a.m. and 12:00 noon on Thursday, 3 December 2015, the application lists will not open and close on that day. Further information is set out in the section headed “How to apply for the Public Offer Shares — Effect of bad weather on the opening of the application lists” in this prospectus.
- 4 Applicants who apply by giving **electronic application instructions** to HKSCC should refer to the section headed “How to apply for the Public Offer Shares — Applying by giving **electronic application instructions** to HKSCC via CCASS” in this prospectus.
- 5 The Price Determination Date is expected to be on or about Thursday, 3 December 2015, and in any event not later than Tuesday, 8 December 2015. If, for any reason, the Offer Price is not agreed by our Company (for ourselves and on behalf of the Selling Shareholder) and the Sole Global Coordinator (for itself and on behalf of the Underwriters), at or before 12:00 noon on Tuesday, 8 December 2015, the Share Offer will not proceed and will lapse.
- 6 Applicants who apply on **WHITE** Application Forms or through **HK eIPO White Form** service for 1,000,000 Shares or more under the Public Offer and have indicated in their Application Forms that they wish to collect refund cheques and (where applicable) share certificates in person from the Hong Kong Branch Share Registrar may collect refund cheques and (where applicable) share certificates in person from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 9 December 2015. Identification and (where applicable) authorisation documents acceptable to the Hong Kong Branch Share Registrar must be produced at the time of collection.

Applicants who apply on **YELLOW** Application Forms for 1,000,000 Shares or more under the Public Offer and have indicated in their Application Forms that they wish to collect refund cheques in person may collect their refund cheques (if any) but may not elect to collect their share certificates, which will be deposited into CCASS for credit to their designated CCASS Participant stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for applicants who apply on **YELLOW** Application Forms for Shares is the same as that for applicants who apply on **WHITE** Application Forms.

EXPECTED TIMETABLE⁽¹⁾

Applicants who apply for the Public Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed “How to apply for Public Offer Shares” in this prospectus for details.

If an applicant has applied for less than 1,000,000 Public Offer Shares, the share certificate (if applicable) and/or refund cheque will be despatched by ordinary post (at the applicant’s own risk) to the address specified on the Application Form.

Uncollected share certificates and refund cheques will be despatched by ordinary post (at the applicants’ own risk) to the addresses specified in the relevant Application Forms. Further information is set out in the section headed “How to apply for Public Offer Shares — Refund of application monies” in this prospectus.

- 7 e-Auto Refund payment instructions and refund cheques will be made/issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price as finally determined is less than the initial Offer Price per Share payable on application. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant provided by you may be printed on your refund cheque, if any. Such data may also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque, if any. Inaccurate completion of your Hong Kong identity card number/passport number may lead to a delay in encashment of, or may invalidate, your refund cheque, if any.

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. (Hong Kong time) on the Listing Date provided that (i) the Share Offer has become unconditional; and (ii) neither of the Underwriting Agreements has been terminated in accordance with the terms therein. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

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

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IMPORTANT NOTICE TO INVESTORS

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

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

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As 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 the section carefully before you decide to invest in the Offer Shares. Various expressions used in this summary are defined in the sections headed “Definitions” and “Glossary of technical terms” in this prospectus.

OVERVIEW

Our Group is principally engaged in the construction machinery business, serving primarily the construction sector in Hong Kong. Our principal businesses include (i) rental of construction machinery, such as crawler cranes, aerial platforms and foundation equipment; (ii) trading of new or used construction machinery and parts; and (iii) transportation services. We place our primary focus on construction machinery rental business while recognising the potential growth of the construction industry driving both the demand for our rental and trading business.

According to the IPSOS Report, the construction industry in Hong Kong experienced substantial growth over the past six years from 2009 to 2014. The construction machinery service industry in Hong Kong is fairly consolidated with about 73 service providers in April 2015 among which 39 of them focused on both construction machinery rental and trading services. The total industry revenue generated by the top five construction machinery rental and trading service providers recorded approximately HK\$1,178.5 million, which constituting approximately 17.8% of the total industry revenue for 2014. During the Track Record Period, we have maintained a rental fleet of over 200 construction machineries including crawler cranes and other mobile cranes, aerial platforms and foundation equipment. For FY2015, we generated approximately HK\$366.2 million from our rental and trading operations, constituting approximately 5.5% of the total revenue in the construction machinery rental and trading service industry in Hong Kong.

The following tables show the breakdown of our Group’s total revenue by business segments and the further breakdowns of our revenue from our construction machinery rental business by project types and by business sub-segments and of our gross profit margin by business segments during the Track Record Period:

Total revenue by business segments

	2013		For the year ended 31 March				For the five months ended 31 August			
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Rental of construction machinery	197,335	81.2	196,526	62.0	174,749	47.4	88,000	54.1	47,809	34.1
Trading of construction machinery and parts	40,580	16.7	117,037	37.0	191,425	51.9	73,469	45.1	91,242	65.1
Transportation services	5,033	2.1	3,247	1.0	2,768	0.7	1,230	0.8	1,033	0.8
Total	242,948	100.0	316,810	100.0	368,942	100.0	162,699	100.0	140,084	100.0

SUMMARY

Revenue from construction machinery rental by project types

	For the year ended 31 March						For the five months ended 31 August			
	2013		2014		2015		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Building	56,091	28.4	41,975	21.4	76,696	43.9	40,029	45.4	17,731	37.1
Infrastructure	17,113	8.7	17,824	9.1	14,963	8.6	7,103	8.1	6,090	12.7
Transport system ^(Note 1)	114,864	58.2	130,672	66.5	77,256	44.2	37,563	42.7	21,871	45.7
Others	9,267	4.7	6,055	3.0	5,834	3.3	3,305	3.8	2,117	4.5
Total	197,335	100.0	196,526	100.0	174,749	100.0	88,000	100.0	47,809	100.0
Private ^(Note 2)	60,771	30.8	40,734	20.7	62,271	35.6	34,970	39.7	13,503	28.2
Public ^(Note 3)	21,700	11.0	25,120	12.8	35,222	20.2	15,467	17.6	12,435	26.0
Public-related ^(Note 4)	114,864	58.2	130,672	66.5	77,256	44.2	37,563	42.7	21,871	45.8
Total	197,335	100.0	196,526	100.0	174,749	100.0	88,000	100.0	47,809	100.0

Revenue from construction machinery rental by business sub-segments

	For the year ended 31 March						For the five months ended 31 August			
	2013		2014		2015		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Rental income from rental fleet	122,010	61.8	129,058	65.7	111,406	63.7	55,897	63.5	32,869	68.8
Rental income from sub-leasing of machinery	66,058	33.5	61,367	31.2	57,432	32.9	28,774	32.7	12,795	26.7
Other service income ^(Note 5)	9,267	4.7	6,101	3.1	5,911	3.4	3,329	3.8	2,145	4.5
Total	197,335	100.0	196,526	100.0	174,749	100.0	88,000	100.0	47,809	100.0

Gross profit margin by business segments

	For the year ended 31 March			For the five months ended 31 August	
	2013	2014	2015	2014	2015
	%	%	%	%	%
	(unaudited)				
Rental of construction machinery	31.7	28.7	18.5	26.8	3.7
— Own rental fleet	36.5	34.6	26.3	38.5	4.1
— Sub-leasing	18.2	13.1	1.4	0.4	2.9
— Other service income ^(Note 5)	64.7	60.7	38.0	58.4	3.7
Trading of construction machinery and parts	13.1	11.9	15.6	18.4	15.2
Transportation services	43.0	20.2	13.4	(12.4)	13.8
Overall	28.8	22.4	16.9	22.7	11.3

SUMMARY

Notes:

1. Transport system includes railway, underground train and highspeed train.
2. Private projects refer to projects of which the main contractors were engaged by property developers and other companies.
3. Public projects refer to projects of which the main contractors were engaged by government departments or other statutory bodies in Hong Kong.
4. Public-related projects refer to projects of which the main contractors were engaged by a rail operating company and were public infrastructure in nature.
5. Other service income mainly derives from maintenance services and provision of operators.

Our gross profit margin for sub-leasing of machinery has decreased from approximately 18.2% for FY2013 to approximately 1.4% for FY2015, and remained at similar level of approximately 0.4% for the five months ended 31 August 2014 to approximately 2.9% for the five months ended 31 August 2015 because (i) the decrease in rental revenue from sub-leasing; and (ii) we had rented in six construction machineries from one construction machinery manufacturer with a minimum rental period of 12 months during the Track Record Period, however, the machines were not fully rented out as expected due to the delay in commencement of some government construction projects engaged by our customers. For further information, please refer to the sections headed “Business — Sub-leasing arrangements” on page 114 and “Financial information — Gross profit and gross profit margin” on page 203 in this prospectus.

BUSINESS MODEL

Rental of construction machinery

We offer cranes, aerial platforms and foundation equipment in our rental operations. In most cases, we also provide operators and maintenance services along with the rental of construction machinery. We source our products through some major manufacturers in Germany, France, Japan, Korea and other European countries for new construction machinery as well as traders located around the world for used construction machinery. The main focus of our Group’s rental fleet is crawler cranes and other mobile cranes. We carry a comprehensive mix of our rental fleet which includes crawler cranes ranging from 2.9-tonne mini crawler cranes to 450-tonne massive crawler cranes. To allow greater flexibility and cost efficiency, apart from our rental fleet, we rented construction machineries from construction machinery service providers and manufacturer to enter sub-leasing arrangements with some customers.

SUMMARY

During the Track Record Period, details of construction machinery carried by us available for our rental operation are summarised as follows:

(a) Number in fleet, number rented out and rent-out rates *(Note 1)*

	As at 31 March						As at 31 August					
	2013		2014		2015		2015		2015		2015	
	Number in fleet	Rented out	Rent-out rate	Number in fleet	Rented out	Rent-out rate	Number in fleet	Rented out	Rent-out rate	Number in fleet	Rented out	Rent-out rate
Crawler cranes and other mobile cranes												
— below 50 tonnes	25	11	44.0%	21	9	42.9%	28	13	46.4%	25	12	48.0%
— 50 to below 110 tonnes	28	22	78.6%	26	21	80.8%	32	13	40.6%	29	15	51.7%
— 110 to below 400 tonnes	14	14	100.0%	19	14	73.7%	17	9	52.9%	17	12	70.6%
— 400 tonnes or above	3	2	66.7%	3	2	66.7%	3	1	33.3%	3	0	0.0%
Sub-total/Overall	70	49	70.0%	69	46	66.7%	80	36	45.0%	74	39	52.7%
Aerial platforms	77	10	13.0%	74	21	28.4%	78	21	26.9%	77	12	15.6%
Foundation equipment	79	24	30.4%	81	22	27.2%	77	12	15.6%	49	8	16.3%
Total/Overall	226	83	36.7%	224	89	39.7%	235	69	29.4%	200	59	29.5%

(b) Utilisation rates *(Note 2)*

	For the year ended 31 March						For the five months ended 31 August	
	2013		2014		2015		2015	
	Number in fleet	Utilisation rate	Number in fleet	Utilisation rate	Number in fleet	Utilisation rate	Number in fleet	Utilisation rate
	(Note 3)		(Note 3)		(Note 3)		(Note 3)	
Crawler cranes and other mobile cranes								
— below 50 tonnes	28	68.8%	26	54.7%	31	48.4%	28	46.0%
— 50 to below 110 tonnes	29	82.1%	28	78.5%	35	60.0%	33	49.6%
— 110 to below 400 tonnes	14	91.6%	19	81.3%	20	56.7%	17	57.3%
— 400 tonnes or above	3	66.7%	3	97.2%	3	54.9%	3	16.1%
Sub-total/Overall	74	78.2%	76	71.8%	89	55.0%	81	48.8%
Aerial platforms	113	35.4%	81	17.7%	79	31.5%	78	17.4%
Foundation equipment	81	33.6%	82	28.3%	85	22.6%	79	14.1%
Total/Overall	268	46.7%	239	38.5%	253	36.8%	238	27.0%

(c) Average age and remaining useful life

	As at 31 March				As at 31 August			
	2013		2014		2015		2015	
	Average age	Remaining useful life	Average age	Remaining useful life	Average age	Remaining useful life	Average age	Remaining useful life
	(year)	(year)	(year)	(year)	(year)	(year)	(year)	(year)
Crawler cranes and other mobile cranes								
— below 50 tonnes	3.98	6.02	4.83	5.17	3.92	6.08	4.06	5.94
— 50 to below 110 tonnes	4.51	5.49	5.12	4.88	5.44	4.56	5.41	4.59
— 110 to below 400 tonnes	4.54	5.46	4.76	5.24	5.26	4.74	5.68	4.32
— 400 tonnes or above	1.94	8.06	2.94	7.06	3.94	6.06	4.36	5.64
Overall	4.21	5.79	4.84	5.16	4.82	5.18	4.98	5.02
Aerial platforms	3.30	6.70	4.08	5.92	4.83	5.17	5.30	4.70
Foundation equipment	6.08	3.92	6.84	3.16	7.26	2.74	6.21	3.79

SUMMARY

Notes:

1. Calculation of rent-out rate is based on the number of construction machines that were rented out on 31 March 2013, 2014 and 2015 and 31 August 2015 which is then divided by the total number of construction machines in our rental fleet on the respective date.
2. Calculation of utilisation rate for the three years ended 31 March 2013, 2014 and 2015 is based on the number of days that the construction machines were rented out during the respective period which is then divided by 365 days less the estimated number of days for repair and maintenance (i.e. 30 days). Calculation of utilisation rate for the five months ended 31 August 2015 is based on the number of days that the construction machines were rented out during the respective period which is then divided by 153 days less the estimated number of days for repair and maintenance (i.e. 12.5 days). The figure for 30 days/12.5 days is estimated for calculation and illustration purpose with reference to past experience of our Group. The utilisation rates serve as a presentation which may not have immediate and direct linkage with our Group's profits. Apart from the number in fleet, our Group's profits are also affected by various factors including the changes in fixed and variable costs and rental fees received from customers in each construction machine.
3. Calculation of number in fleet for each of the three years ended 31 March 2013, 2014, 2015 and the five months ended 31 August 2015 is based on the total number of construction machines which have been included in our rental fleet during the year/period.

Trading of construction machinery and parts

We offer a wide range of construction machinery to customers under our trading operation, including crawler cranes, aerial platforms and foundation equipment. Our products include both new and used construction machinery. As at the Latest Practicable Date, we have entered into a non-exclusive dealership arrangement with a major Japanese manufacturer of crawler cranes and received certifications as authorised dealers for another major Japanese manufacturer of mini crawler cranes, a major European manufacturer of aerial platforms and a manufacturer of foundation equipment from Korea.

We also offer various construction machinery spare parts for sale to our customers for their maintenance purpose and we normally place back-to-back orders for spare parts to our suppliers when receiving orders from our customers.

Transportation services

For the provision of transportation services, we carry a range of transportation vehicles and equipment in our fleet, including 38-tonne to 44-tonne heavy load trucks, 8-tonne to 25-tonne crane lorries, 20-feet to 40-feet trailers, and below 38-tonne trucks. Our services include local container delivery, site construction delivery and transport of heavy machinery.

OUR MAJOR CUSTOMERS AND SUPPLIERS

Our rental customers are mainly construction companies engaged in both private and public construction projects. For trading, our customers are mostly construction companies who wish to reduce the cost in using the construction machinery for their construction work by investing in and purchasing construction machinery for their own use. For transportation services, we provide our services primarily to construction work companies which would require logistic support. During the Track Record Period, our top five largest customers accounted for approximately 52.3%, 40.4%, 24.9% and 35.1% of our total revenue for FY2013, FY2014, FY2015 and the five months ended 31 August 2015, respectively.

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Our major suppliers include suppliers of construction machinery and parts for our trading operations. For new construction machinery, our suppliers include manufacturers in Germany, France, Japan, Korea and other European countries and we also source the spare parts from the same pool of manufacturers. For used construction machinery, we order them from traders around the world and local construction contractors. We also sell our used construction machinery under our rental fleet directly or by way of finance lease. During the Track Record Period, purchases from our five largest suppliers accounted for approximately 55.5%, 77.9%, 87.4% and 91.7%, respectively, of our total purchases for FY2013, FY2014, FY2015 and the five months ended 31 August 2015, respectively.

SALES AND MARKETING

We manage good working relationships with our customers through proven past projects, on-going interactions as well as recurring customers. When projects are awarded to the contractors, we will be approached to provide quotations and we will receive reply from them in around one week to two months. Occasionally during different stages of the construction projects, potential contractors would approach us for quotation on machinery price. Quotations are normally approved by our sales and marketing team which has maintained frequent interactions with our customers. Through this solid channel, we understand customers' feedback on our services and their project progress.

COMPETITIVE STRENGTHS

We believe that our competitive strengths are as follows:

- With over 50 years of experience in the Hong Kong construction industry, we have a well-established market presence
- Our rental service is flexible and comprehensive
- In addition to rental of construction machinery, we also provide trading of construction machinery and transportation services
- Our management team has proven track record and extensive experience in the construction machinery rental and trading business

For details, please refer to the section headed "Business — Competitive strengths" on page 95 in this prospectus.

BUSINESS STRATEGIES AND FUTURE PLANS

Our long term business objective is to follow closely the development of the Hong Kong construction industry with a particular focus on crawler cranes, to strengthen our position as a major rental provider of construction machinery in Hong Kong and to further expand our presence in other potential markets. To achieve the above, we intend to:

- Strengthening our position as a market leader through the expansion and diversification of our construction machinery fleet
- Strengthening cooperation with manufacturers and other suppliers to meet the needs of the dynamic market environment
- Increasing our operational efficiency and enhancing our quality of service

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- Recruiting and expanding our team of skilled and technical personnel and strengthening staff training
- Expanding our sales and marketing team and reinforcing our sales and marketing efforts
- Expansion into other markets

For details, please refer to the section headed “Business — Business strategies and future plans” on page 97 in this prospectus.

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued under the exercise of any of the Adjustment Options or any options that may be granted under the Share Option Scheme), Mr. Tang Kan and Tang J F T (an investment holding company owned by the Active Shareholders which has not commenced any substantive business activities as at the Latest Practicable Date) will each control more than 30% of our Company’s issued share capital. For the purpose of the Listing Rules, Mr. Tang Kan and Tang J F T are our Controlling Shareholders. Mr. James Tang, a son of Mr. Tang Kan, who took over the leadership of our Group since May 1994, has been responsible for the daily management of our Group and, is in a position to control the composition of a majority of our Board, and is considered to be a Controlling Shareholder.

Each of our Controlling Shareholders confirms that he/it does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with the business of our Group. Please refer to the section headed “Relationship with our Controlling Shareholders” on page 168 in this prospectus for further information in relation to our Controlling Shareholders.

KEY OPERATIONAL AND FINANCIAL DATA

The following tables summarise our key financial operational and financial data during the Track Record Period:

	For the year ended 31 March			For the five months ended 31 August	
	2013	2014	2015	2014	2015
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
				(unaudited)	
<i>Results of operations</i>					
Revenue	242,948	316,810	368,942	162,699	140,084
Gross profit	70,015	70,950	62,520	36,982	15,784
Profit before income tax expense	39,112	46,926	31,336	24,634	4,463
Profit and total comprehensive income for the year/period	33,120	39,265	24,364	19,180	3,684

SUMMARY

	As at 31 March			As at 31 August
	2013	2014	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Financial position</i>				
Non-current assets	249,383	251,629	243,804	226,220
Current assets	147,520	174,126	220,326	139,049
Non-current liabilities	50,404	51,036	62,248	52,015
Current liabilities	171,687	160,642	163,441	133,129
Net current (liabilities)/assets	(24,167)	13,484	56,885	5,920
Total equity	174,812	214,077	238,441	180,125
<i>Key financial ratios</i>				
	As at/For the year ended 31 March			As at/ For the five months ended 31 August
	2013	2014	2015	2015
Current ratio	0.9 times	1.1 times	1.3 times	1.0 times
Gearing ratio	95.9%	72.6%	67.3%	71.8%
Debt to equity ratio	90.6%	59.3%	45.0%	44.2%
Interest coverage	6.0 times	7.0 times	5.6 times	2.7 times
Return on total assets	8.3%	9.2%	5.2%	1.0%
Return on equity	18.9%	18.3%	10.2%	2.0%
Net profit margin	13.6%	12.4%	6.6%	2.6%

During the Track Record Period, our Group's liquidity ratios and capital adequacy ratios have been improved. Our profitability ratios remained stable for FY2013 and FY2014. The decrease in net profit margin from approximately 12.4% for the year ended 31 March 2014 to approximately 6.6% for the year ended 31 March 2015 and approximately 2.6% for the five months ended 31 August 2015, which were primarily reflected the decrease in gross profit margin in rental of construction machinery and the increase in non-recurring and non-tax deductible expenses incurred in relation to the Listing.

Please refer to the section headed "Financial information" on page 192 in this prospectus for further information.

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Key cost components

	For the year ended 31 March			For the five months ended 31 August
	2013	2014	2015	2015
	<i>% of total cost of sales and services rendered of our Group</i>	<i>% of total cost of sales and services rendered of our Group</i>	<i>% of total cost of sales and services rendered of our Group</i>	<i>% of total cost of sales and services rendered of our Group</i>
Purchase of machinery and spare parts	19.4	41.5	52.6	59.2
Staff costs	28.2	20.7	16.1	15.3
Sub-leasing expenses	22.8	13.4	12.5	7.2
Depreciation	17.4	13.9	11.5	12.0

Our Group's key cost components were purchase of machinery and spare parts, staff cost, sub-leasing expense and depreciation which represented approximately 87.8%, 89.5%, 92.7% and 93.7% of our total cost of sales and services rendered for FY2013, FY2014, FY2015 and the five months ended 31 August 2015, respectively.

Trade receivables turnover days

	As at 31 March			As at 31 August
	2013	2014	2015	2015
Average trade receivable turnover days by business segments ^(Note)				
Rental of construction machinery	122	135	126	152
Trading of construction machinery and parts	0	0	16	22
Transportation services	74	100	63	39
Overall	<u>101</u>	<u>85</u>	<u>68</u>	<u>67</u>

Note: Average trade receivables turnover days are equal to the average trade receivables divided by revenue and multiplied by 365 days for years ended 31 March 2013, 31 March 2014, 31 March 2015 and by 153 days for the five months ended 31 August 2015. Average trade receivables are equal to trade receivables at the beginning of the year/period plus trade receivables at the end of the year/period and divided by two.

The average trade receivable turnover days decreased from approximately 101 days as at 31 March 2013 to approximately 85 days as at 31 March 2014, and further decreased to approximately 68 days as at 31 March 2015 and subsequently decreased to approximately 67 days as at 31 August 2015.

The average trade receivable turnover days in rental of construction machinery increased from approximately 122 days as at 31 March 2013 to approximately 135 days as at 31 March 2014, and decreased to approximately 126 days as at 31 March 2015 and further increased to approximately 152 days as at 31 August 2015.

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August 2015, which was mainly due to several major customers who required longer time to receive payments from their onward customers (i.e. the main contractor) before processing and making payments to our Group.

The average trade receivable turnover days in rental of construction machinery are beyond the standard credit period of 30 days. We considered it is an industry norm as our average trade receivable turnover days are similar to other construction companies in our industry.

As at 31 March 2013, 2014 and 2015, and 31 August 2015, the average trade receivable turnover days in trading of construction machinery and parts were nil, nil, approximately 16 days and approximately 22 days respectively. The average trade receivable turnover days in trading of construction machinery and parts increased from nil in FY2014 to approximately 16 days in FY2015 was attributable to: (i) one of the rental customer subsequently purchased the construction machinery rented from our Group in which we granted a credit period of 30 days to the said customer for this purchase. The amount due from the said customer was still outstanding as at 31 March 2015 and has been settled before the Latest Practicable Date; and (ii) as at 31 March 2015, our Group granted credit period of 90 days to one of our major customers in view of its close business relationship with our Group. The average trade receivable turnover days in trading of construction machinery and parts further increased to approximately 22 days as at 31 August 2015 which was attributable to the payments of three purchased construction machineries from customers not being settled as at 31 August 2015. As at the Latest Practicable Date, payments of two of the said machineries have been fully settled and the remaining machinery, with a credit period of 90 days granted to the customer, has not yet become due.

Accounting policy in relation to depreciation

Property, plant and equipment are depreciated so as to write-off their cost net of expected residual value over their estimated useful lives on a straight-line basis, which our Directors believe is in line with industry norm. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each of the Track Record Period. The estimated useful life of our construction machinery is 10 years.

LISTING EXPENSES

Assuming the Adjustment Options are not exercised and assuming the Offer Price of HK\$0.40 per Offer Share, being the mid-point of the indicative Offer Price range, the total amount of Listing expenses and commissions in connection with the Share Offer is estimated to be approximately HK\$29.4 million of which approximately HK\$19.6 million will be borne by our Company and approximately HK\$9.8 million will be borne by the Selling Shareholder.

The portion of Listing expenses borne by the Selling Shareholder in connection with the Sale Shares of approximately HK\$3.7 million will be set-off against the Listing expenses of our Company. The portion of Listing expenses of approximately HK\$6.1 million reimbursed by the Selling Shareholder in its capacity of a Shareholder will be accounted for as capital contribution to our Company.

Of the aggregate Listing expenses of HK\$29.4 million, approximately HK\$7.4 million directly attributable to the issue of Offer Shares will be accounted for as a deduction from equity upon Listing. Of the remaining HK\$22.0 million, approximately HK\$3.7 million will be borne by the Selling Shareholders as stated above and approximately HK\$18.3 million will be charged to our profit or loss. Listing expenses of approximately HK\$8.4 million were charged to the profit or loss for the year ended 31 March 2015 and

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approximately HK\$1.2 million were charged to the profit or loss for the five months ended 31 August 2015 and the remaining amount of approximately HK\$8.7 million will be charged to the profit or loss for the year ending 31 March 2016. Expenses in relation to the Listing are non-recurring in nature.

USE OF PROCEEDS

Net proceeds from the Share Offer which we will receive (assuming none of the Adjustment Options is exercised), after deducting underwriting commissions and professional fees, is expected to amount to approximately HK\$47.1 million. We intend to use such net proceeds in the following manner:

- as to approximately HK\$30.7 million, representing approximately 65.2% of the net proceeds from the Share Offer for the expansion of our construction machinery rental fleet;
- as to approximately HK\$8.9 million, representing approximately 18.9% of the net proceeds from the Share Offer for the recruitment of operations staff to support fleet expansion;
- as to approximately HK\$2.8 million, representing approximately 5.9% of the net proceeds from the Share Offer for the introduction of centralised digital fleet management system; and
- the balance of approximately HK\$4.7 million, representing approximately 10.0% of the net proceeds from the Share Offer for the working capital of our Group.

To the extent that the net proceeds of the Share Offer are not immediately used for the purposes described above, we intend to invest the proceeds in short term demand deposits and/or money-market instruments. Please refer to both the section headed “Business — Business strategies and future plans” on page 97 and the section headed “Future plans and use of proceeds” on page 175 in this prospectus for details.

SELLING SHAREHOLDER

The Share Offer initially consists of 250,000,000 Shares, of which 83,256,000 Shares are being sold by the Selling Shareholder under the Placing. We estimate that the net proceeds to the Selling Shareholder from the Sale Shares (after deduction of proportional underwriting fees and estimated expenses payable by our Selling Shareholder in relation to the Share Offer, and assuming an offer price of HK\$0.40 per Offer Share, being the mid-point of the indicative Offer Price range) will be approximately HK\$23.5 million. Our Company will not receive any of the proceeds from the sale of the Sale Shares.

Details of the Selling Shareholder are set out in the section headed “Statutory and general information — Other information — Particulars of the Selling Shareholder” in Appendix IV to this prospectus.

DIVIDENDS

During the Track Record Period, we have declared a dividend of HK\$62.0 million on 30 June 2015.

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

- it maximises the return on equity

SUMMARY

- it maintains the commercial relationship with banks
- it rewards the Shareholders for their investments in our Company and the Shareholders may be inclined to invest further in our Company

Our Board has not adopted any dividend policy for the time being and does not have any pre-determined dividend ratio. Our Board will consider the relevant factors when determining the dividends to be declared if any. For the limitations subjected to and other details, please refer to the section headed “Financial information — Dividends” in this prospectus.

Our Board has absolute discretion as to whether to declare any dividend for any year end and if any, the amount of dividend and the means of payment. Such discretion is subject to any applicable laws and regulations including the Companies Law, and our Articles which requires also the approval of our Shareholders. The amount of any dividends to be declared and paid in the future will depend on, among other things, our dividend policy, results of operations, cash flows and financial condition, operating and capital requirements and other relevant factors. There will be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of our Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Board in the future.

OFFERING STATISTICS

	Based on the Offer Price of HK\$0.32 per Offer Share	Based on the Offer Price of HK\$0.48 per Offer Share
Market capitalisation of our Shares <i>(Note 1)</i>	HK\$320 million	HK\$480 million
Unaudited pro forma adjusted combined net tangible asset per Share <i>(Note 2)</i>	HK\$0.22	HK\$0.25

Notes:

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

LITIGATION AND CLAIMS

During the Track Record Period and as at the Latest Practicable Date, our Group had been involved in a number of claims, litigations and pending or threatened claims in relation to (i) non-compliance with statutory requirements relevant to our industry; (ii) personal injury; (iii) wage claims; and (iv) employment claims arising out of work related injuries.

In addition, as at the Latest Practicable Date, our Group was under a legal proceeding in relation to a breach of contract. The claim related to our termination of the rental agreement entered by Chim Kee Machinery and its former customer on 3 July 2012 due to this former customer's failure to make payment

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for the rental of our machinery, operators and equipment. This former customer claimed for more than HK\$100 million and we have filed a re-amended defence and counterclaim for the sum of approximately HK\$17.5 million together with other unascertained damages to be claimed. The case is currently awaiting trial. Our Group was involved in an appeal lodged by this former customer in relation to a patent infringement claim. The appeal relates to a judgment for the patent infringement claim entered in favour of our Group on 26 March 2014 where the Court of First Instance dismissed this former customer's allegation that our Group (together with another defendant) infringed its short term patent for a construction method for extracting building piles in the ground. On 6 August 2015, the Court of Appeal dismissed the appeal lodged by this former customer in our favour. Please refer to the section headed "Business — Legal proceedings and compliance" on page 154 in this prospectus for further information.

RISK FACTORS

Potential investors are advised to carefully read the section headed "Risk factors" in this prospectus before making any investment decision in the Offer Shares. Some of the more particular risk factors include:

- The deteriorated financial performance of our Group for the five months ended 31 August 2015 may adversely affect our Group's results in the upcoming financial year
- We had a pending legal proceeding in relation to a contractual dispute that was brought against us by one of our former customers as at the Latest Practicable Date
- Our financial performance and results of operations for the year ending 31 March 2016 will be significantly and adversely affected by our Listing expenses, which are non-recurring in nature, and the expected increase in administrative expenses of our Group
- Our engagements with our customers are project based. There is no guarantee that our existing customers will engage us again in future construction projects among our competitors
- If we fail to retain our senior management team or fail to maintain a skilled labour force, our operations and therefore our reputation and future profits may be adversely affected
- We engage third parties to carry out some of the tasks in our operations cycle such as maintenance, delivery for construction machinery to customers' construction sites and assembly/disassembly of our construction machinery at customers' construction sites. The sub-standard or delayed performance of these third parties may adversely affect our Group's reputation
- Our trading operations are dependent on the quality and supply of the top five suppliers of our Group

For details, please refer to the section headed "Risk factors" on page 32 in this prospectus.

RECENT DEVELOPMENT

Deteriorated financial performance for the five months ended 31 August 2015

Our total revenue decreased by approximately HK\$22.6 million, or 13.9%, from approximately HK\$162.7 million for the five months ended 31 August 2014 to approximately HK\$140.1 million for the five months ended 31 August 2015. Such decrease was mainly attributable to the decrease in revenue

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generated from rental of construction machinery. Our revenue from construction machinery rental services decreased by approximately HK\$40.2 million, or 45.7%, from approximately HK\$88.0 million for the five months ended 31 August 2014 to approximately HK\$47.8 million for the five months ended 31 August 2015. Such decrease was mainly due to (i) the decrease in number of crawler cranes rented attributable to the delay in commencement of several Delayed Projects; and (ii) the completion of two substantial private projects in FY2015 which accounted for approximately 44.9% of revenue from private projects for the five months ended 31 August 2014.

For details of the Delayed Projects, please refer to the section headed “Business — Overview” on page 92 in this prospectus.

Our gross profit decreased by approximately HK\$21.2 million, or 57.3%, from approximately HK\$37.0 million for the five months ended 31 August 2014 to approximately HK\$15.8 million for the five months ended 31 August 2015. In addition, our gross profit margin was approximately 11.3% for the five months ended 31 August 2015 which decreased from approximately 22.7% for the five months ended 31 August 2014. The gross profit and gross profit margin had decreased because of the significant decrease of the gross profit margin of construction machinery rental services.

Our gross profit of construction machinery rental services decreased by approximately HK\$21.8 million from approximately HK\$23.6 million for the five months ended 31 August 2014 to approximately HK\$1.8 million for the five months ended 31 August 2015. In addition, our gross profit margin of construction machinery rental services decreased from approximately 26.8% for the five months ended 31 August 2014 to approximately 3.7% for the five months ended 31 August 2015. The decrease in gross profit margin of construction machinery rental services was mainly attributable to the high level of fixed cost to be maintained given the lower revenue and utilisation rates were recorded for the five months ended 31 August 2015.

Our gross profit for trading of construction machinery and parts segment increased by approximately HK\$0.3 million from approximately HK\$13.5 million for the five months ended 31 August 2014 to approximately HK\$13.8 million for the five months ended 31 August 2015. In addition, our gross profit margin for trading of construction machinery and parts decreased from approximately 18.4% for the five months ended 31 August 2014 to approximately 15.2% for the five months ended 31 August 2015. The decrease in gross profit margin for trading of construction machinery and parts was mainly attributable to the increase in trade of new machineries, which usually has a lower profit margin than the used machineries for the five months ended 31 August 2015.

For the transportation service segment, our gross loss of approximately HK\$0.2 million for the five months ended 31 August 2014 turned into a gross profit of approximately HK\$0.1 million for the five months ended 31 August 2015. In addition, our gross profit margin of the transportation service segment increased from a loss of approximately 12.4% for the five months ended 31 August 2014 to approximately 13.8% for the five months ended 31 August 2015. The increase in gross profit margin of transportation services segment was mainly attributable to decrease in repair and maintenance expenses on certain transportation fleet for the five months ended 31 August 2015.

Without taking into consideration the financial impact of the Listing expenses, our Group’s adjusted net profit for the five months ended 31 August 2015 was approximately HK\$4.9 million.

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For details, please refer to the section headed “Financial information — Period-to-period comparison of results of operation — Five months ended 31 August 2015 compared to five months ended 31 August 2014.

For the five months ended 31 August 2015, we recorded a significant decrease in the gross profit margin and net profit margin. The gross profit margin dropped from approximately 22.7% for the five months ended 31 August 2014 to approximately 11.3% for the five months ended 31 August 2015. The gross profit margin dropped from approximately 16.9% for the year ended 31 March 2015 to approximately 11.3% for the five months ended 31 August 2015 which was mainly due to the significant decrease in the revenue which lowered the gross profit margin from construction machinery rental segment, from approximately 18.5% for the year ended 31 March 2015 to approximately 3.7% for the five months ended 31 August 2015. The revenue generated from our trading business during FY2013, FY2014 and FY2015 has recorded steady growth. The revenue generated from our rental business in the respective periods, has however drove down the overall gross profit margin given that the gross profit margin of our trading business is normally lower than that of our rental business. Subsequently, the overall gross profit margin for the five months ended 31 August 2015 has been further driven down due to the significant decrease in the gross profit of our rental business for the respective period. The decrease in gross profit margin has also led to a decrease in net profit margin.

Our Directors are of the view that the deteriorated financial performance for the five months ended 31 August 2015 as compared to the same period in 2014 was mainly due to (i) the further delay in commencement of certain public projects and public-related projects (the “**Delayed Projects**”), under which the main contractors have further delayed and revised their commencement dates of certain Delayed Projects; (ii) the general market fluctuation in the construction industry; and (iii) higher fixed cost to be maintained given the lower utilisation rate. Given the short lead time between our engagement with our customers and the potential termination of contracts by our customers, the expected commencement dates of the construction projects are mainly determined by the indication and estimation of the main contractors, and it is not uncommon to see delay of projects in the construction industry. Our Directors also consider that the general market fluctuations affecting the construction industry include but are not limited to the adverse weather conditions, fluctuation on macro factors such as exchange rate risk, interest rate, inflation rate, labor strike, accidents on site, unknown site condition, changes of building or structure design and change of government policy. Those factors would affect the progress of projects which might negatively affect our Group and lead to decrease in revenue and utilisation rate, while our Group has to maintain certain fixed costs such as depreciation expenses, our Group’s financial performance is therefore negatively impacted.

Our Directors consider that the deteriorated financial performance for the five months ended 31 August 2015 as compared to that of 2014 will affect our profitability for the year ending 31 March 2016. Without taking into consideration the financial impact of the Listing expenses, our Group’s net profit for the year ending 31 March 2016 will decline as compared to that of the prior financial year.

Subsequent to the Track Record Period and up to the Latest Practicable Date

Our business model, revenue and cost structure remain unchanged subsequent to the Track Record Period.

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Subsequent to the Track Record Period and up to the Latest Practicable Date, we have received 31 confirmed orders but not yet delivered the construction machineries under our trading business with a total contract sum of approximately HK\$61.0 million. Those construction machineries are expected to be delivered and the relevant revenue will be recognised for the year ending 31 March 2016. For our construction machinery rental services, as at the Latest Practicable Date, the total number of construction machinery in our rental fleet was 195, among which, 60 of them were rented out with the rent-out rate of approximately 30.8%. The total monthly rental income of the said rented out machineries was approximately HK\$6.9 million.

The following is a summary of our Group's unaudited financial information for the six months ended 30 September 2015, prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting", which was reviewed by our reporting accountant in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". Based on the unaudited financial information of our Group for the six months ended 30 September 2015, our revenue for the six months ended 30 September 2015 amounted to approximately HK\$174.9 million, representing a slight decrease of approximately 3.4% compared to approximately HK\$181.0 million for the six months ended 30 September 2014. Our unaudited gross profit was approximately HK\$22.3 million for the six months ended 30 September 2015, representing (i) a decrease of approximately 42.2% compared to approximately HK\$38.6 million for the six months ended 30 September 2014; and (ii) an increase of approximately 41.1% as compared with the gross profit of approximately HK\$15.8 million for the five months ended 31 August 2015. The unaudited gross profit margin decreased from approximately 21.3% for the six months ended 30 September 2014 to approximately 12.7% for the six months ended 30 September 2015. The unaudited gross profit margin for the six months ended 30 September 2015 was approximately 12.7%, which was slightly higher than approximately 11.3% for the five months ended 31 August 2015.

All of the Delayed Projects were public or public related projects of our Group that cover major infrastructure and public facilities in Hong Kong and it is very unlikely that those projects would be terminated or delayed infinitely. As extracted from the IPSOS Report, according to the opening statement of the Chief Executive. Mr. Leung Chun-ying, on 9 July 2015 attending the Chief Executive's Question and Answer Session in the Legislative Council, the projects applied for funding in the previous legislative session delayed for more than six months on average and it is envisaged that these projects will be commenced in the fourth quarter of 2015 or first quarter of 2016. From the information presented by the Development Bureau, a total of 23 construction projects which failed to obtain funding approval in the 2013–14 legislative session have managed to secure the approval in the 2014–15 legislative session, which include study works relating to the Hong Kong boundary crossing facilities of the Hong Kong-Zhuhai-Macao Bridge as well as a number of schools, hospitals and other civil engineering projects. Moreover, according to the 2015 Policy Agenda of the Development Bureau, the spending on the capital works programme including public works projects in 2014–15 is maintained at the level of approximately HK\$70 billion which is similar to the actual expenditure of HK\$70 billion in 2013–14. Of the approximately HK\$370 billion approved by the Finance Committee of the Legislative Council over the last five years, about 70% is devoted to the Ten Major Infrastructure Projects and the remaining 30% to other projects of varying scales. The Development Bureau expects that based on the planned infrastructure programme, the annual capital works expenditure in the next few years will be at the HK\$70 billion level. To mitigate the impact of delay in funding approval, various practicable measures including "tendering before funding approval" after conducting comprehensive risk assessment for expediting the commencement of works have also been considered by the Development Bureau. Although the mitigation measures may not directly

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benefit or enhance the progress of the Delayed Projects and our Group's financial performance may continuously be affected as a result, our Directors however consider that, given the active and positive approach taken by the government and the actual fundings approved for public works projects in the 2014–15 legislative session, more rental income will be recognised during the remaining period of the years ending 31 March 2016 and 2017.

Subsequent to the Track Record Period and up to the Latest Practicable Date, save for the expenses incurred in relation to the Listing as disclosed in the paragraph headed “Listing expenses” in this section, we did not have any significant non-recurrent items in our consolidated statement of comprehensive income.

Our Group is expected to record a decrease in profit for the year ending 31 March 2016, which is mainly due to (i) the non-recurring and non-tax deductible expense in relation to the Listing to be incurred; (ii) the expected increase in administrative expenses (including remuneration of our Directors, additional staff in administration, accounting and finance department and professional fees) of our Group; (iii) the expected decrease in other income and gain due to decrease in the expected number of vehicles to be retired under the government allowance scheme and the absence of expected gain from disposal of investment property; and (iv) the revision of commencement dates of the Delayed Projects. For details, please refer to the sections headed “Risk factors — Our financial performance and results of operations for the year ending 31 March 2016 will be significantly and adversely affected by our Listing expenses, which are non-recurring in nature, and the expected increase in administrative expenses of our Group” and “Financial information — Listing expenses” in this prospectus.

Our Directors, upon review of revenue, gross profit and gross profit margin based on the audited financial information for the five months ended 31 August 2015, and based upon the Directors' observation noted in the market, confirmed that save as the non-recurring and non-tax deductible expenses incurred in relation to the Listing as disclosed above, subsequent to the Track Record Period and up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group. However, shall there be any further delay in commencement of public and public-related projects, there will be material adverse impact on our financial position.

For details, please refer to the sections headed “Business” and “Financial information” in this prospectus.

Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (the “NRMM Regulation”) and Technical Circular

The NRMM Regulation came into effect on 1 June 2015 to bring non-road mobile machinery (“NRMMs”) under control in line with environmentally advanced countries. Unless exempted, NRMMs which are regulated under this provision are required to comply with the emission standards prescribed under the NRMM Regulation. From 1 September 2015, all regulated machines sold or leased for use in Hong Kong must be approved or exempted with a proper label in a prescribed format issued by the Environmental Protection Department. Starting from 1 December 2015, only approved or exempted NRMMs with a proper label are allowed to be used in specified activities and locations including construction sites. However, existing NRMMs which are already in Hong Kong on or before 30 November 2015 will be exempted from complying with the emission requirements. A period of six months (from 1 June 2015 to 30 November 2015, both dates inclusive) is allowed for existing NRMMs to apply for exemption. As at the Latest Practicable Date, our Group has obtained approval or exemption for all of our machines that are subject to the NRMM Regulation (the “**Regulated Machines**”).

SUMMARY

The Work Branch of the Development Bureau issued a technical circular on 8 February 2015 (the “**Technical Circular**”), that an implementation plan to phase out the use of exempted NRMMs for four types of exempted NRMMs (namely generators, air compressors, excavators and crawler cranes) has been included in the Technical Circular (the “**Implementation Plan**”), under which, all new capital works contracts of public works including design and build contracts with an estimated contract value exceeding HK\$200 million and tenders invited on or after 1 June 2015 shall require the contractor to allow no exempted generator and air compressor to be used after 1 June 2015 and the number of exempted excavators and crawler cranes not to exceed 50%, 20% and 0% of the total units of exempted NRMMs from 1 June 2015, 1 June 2017 and 1 June 2019 respectively. Notwithstanding the Implementation Plan, exempted NRMMs may still be permitted at the discretion of the respective architect or engineer designated by the government if there is no feasible alternative.

Our Directors consider that the implementation of the NRMM Regulation and the Implementation Plan set out in the Technical Circular has no significant impact or adverse effect on our Group’s operation and business. The machinery rental income contributed by the public works with contract value of exceeding HK\$200 million only accounted for approximately 7.3%, 7.2%, 7.3% and 5.5% of our Group’s total revenue for FY2013, FY2014, FY2015 and the five months ended 31 August 2015, respectively, which is not significant. Our Directors consider that we will have sufficient approved machines to carry out contracts of public works with contract value of exceeding HK\$200 million because our Group will increase the proportion of approved machines out of the Regulated Machines by carrying out the replacement and expansion plans.

DEFINITIONS

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

“Accountant’s Report”	the accountant’s report on our Group for the Track Record Period set out in Appendix I to this prospectus
“Active Shareholders”	Mr. Tang Kan, Ms. Leung Lay Wen Lana, Ms. Tang Tuen Man Victoria, Mr. Tang Yiu Wai Stephen, Mr. Tang Yiu Keung Paul, Mr. Tang Yiu Lam Eric, Mr. James Tang and the Administrator of Estate of Wong Sau, who are family members to each other
“Adjustment Options”	the Offer Size Adjustment Option and the Over-allotment Option
“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s) or, where the context so requires, any of them, relating to the Public Offer
“Articles of Association” or “Articles”	the articles of association of our Company adopted on 23 October 2015 and which will become effective upon the Listing, as amended from time to time, a summary of which is set out in the section headed “Summary of the constitution of the Company and Cayman Islands Company Law” in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“business day”	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	British Virgin Islands
“CAGR”	compound annual growth rate, a method of assessing the average growth of a value over a certain time period
“Capitalisation Issue”	the issue of Shares to be made upon capitalisation of part of the amount standing to the credit of the share premium account of our Company referred to in the section headed “Written resolutions of our Shareholders passed on 23 October 2015” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant




DEFINITIONS

“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person or persons admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Chairman”	the chairman of the Board, namely, Mr. James Tang
“Chief Executive Officer”	the chief executive officer of our Company, namely, Mr. Kwok Ho
“Chim Kee”	Chim Kee Company Limited (占記有限公司), a company incorporated under the laws of Hong Kong with limited liability on 23 February 1962, and indirectly owned as to 99.9% by our Company
“Chim Kee Equipment”	Chim Kee Equipment Limited (占記設備有限公司), a company incorporated under the laws of Hong Kong with limited liability on 25 November 2014, and an indirect wholly-owned subsidiary of our Company
“Chim Kee Group”	Chim Kee Group Limited (占記集團有限公司), a company incorporated under the laws of Hong Kong with limited liability on 25 October 2012, and is wholly-owned by Mr. James Tang
“Chim Kee Machinery”	Chim Kee Machinery Co., Limited (占記機械有限公司), a company incorporated under the laws of Hong Kong on 2 June 2004, and an indirect wholly-owned subsidiary of our Company
“Chim Kee Transportation”	Chim Kee Transportation Company Limited (占記運輸有限公司), a company incorporated under the laws of Hong Kong with limited liability on 20 November 1979, and an indirect wholly-owned subsidiary of our Company
“Code”	the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Listing Rules
“Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Clear Lift Holdings Limited (焯陞企業控股有限公司), formerly known as Chim Kee Holdings Limited (占記控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 24 September 2014
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and, in the context of our Company, means the controlling shareholders of our Company, namely, Mr. Tang Kan, Tang J F T and Mr. James Tang
“Crawler Crane”	Crawler Crane Business Limited, a company incorporated in the BVI on 30 September 2014, which is wholly-owned by our Company
“Deed of Indemnity”	the deed of indemnity dated 23 October 2015 given by each of our Controlling Shareholders in favour of our Company, details of which are set forth in the section headed “Statutory and general information — Other information — tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 23 October 2015 given by each of our Controlling Shareholders in favour of our Company, details of which are set forth in the section headed “Relationship with our Controlling Shareholders” in this prospectus
“Deed of Trademark Assignment”	the deed of trademark assignment dated 23 October 2015 given by Chim Kee Group in favour of our Company in relation to the assignment of the Hong Kong Trademarks
“Director(s)”	the director(s) of our Company
“Euro” or “EUR”	the currency used by the Institutions of the European Union and the official currency of the Eurozone
“FY2013”	the financial year ended 31 March 2013
“FY2014”	the financial year ended 31 March 2014
“FY2015”	the financial year ended 31 March 2015

DEFINITIONS

“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, where the context 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
“HK\$” or “Hong Kong Dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HK eIPO White Form”	the application for the Public Offer Shares to be issued in applicant’s own name by submitting applications online through the designated website at www.hkeipo.hk
“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website at www.hkeipo.hk
“HKFRS” or “HKFRSs”	Hong Kong Financial Reporting Standards
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hightion”	HIGHTION, SOCIEDADE UNIPessoal Limitada (凱昇一人有限公司), a company incorporated under the laws of Macau with limited liability on 19 September 2014, and an indirect wholly-owned subsidiary of our Company
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Hong Kong Trademarks”	our Group’s logos of  ,  ,  and related trademarks registered in Hong Kong by Chim Kee Group, that are assigned to our Company on 23 October 2015 at nil consideration
“Independent Third Party(ies)”	an individual or a company which is independent from and not connected with (within the meaning of Listing Rules) any directors, chief executive, substantial shareholders of our Company, its subsidiaries or any of their respective associates

DEFINITIONS

“IPSOS”	Ipsos Limited, an independent market research agency
“IPSOS Report”	the market research report commissioned by us and prepared by IPSOS
“IRD”	the Inland Revenue Department
“Joint Bookrunners”	RHB Securities and China Industrial Securities International Capital Limited and “Joint Bookrunner” means any one of them
“K B Machinery”	K B Machinery Co., Limited (高比機械有限公司), a company incorporated under the laws of Hong Kong with limited liability on 26 November 2010, and an indirect wholly-owned subsidiary of our Company
“Latest Practicable Date”	21 November 2015, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained herein
“Listing”	the listing of the Shares on the Main Board
“Listing Committee”	the listing sub-committee of the directors of the Stock Exchange
“Listing Date”	the date on which dealings in the Shares on the Main Board first commence, which is expected to be on 10 December 2015
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board, as amended, modified and supplemented from time to time
“Macau”	Macau Special Administrative Region of the PRC
“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”	the memorandum of association of our Company, as amended from time to time
“MOP”	Macau Pataca, the lawful currency of Macau
“Mr. James Tang”	Mr. Tang Yiu Chi James (鄧耀智), an executive Director and the Chairman and a Controlling Shareholder
“Mr. Tang Kan”	Mr. Tang Kwok Kan (鄧國根), alias, Mr. Tang Kan (鄧根), a Controlling Shareholder

DEFINITIONS

“New Shares”	the new Shares initially being offered by our Company for the subscription at the Offer Price under the Share Offer
“Offer Price”	the final offer price per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) which shall be not more than HK\$0.48 and is expected to be not less than HK\$0.32, such price to be determined on the Price Determination Date, as may be agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters)
“Offer Share(s)”	collectively, the Public Offer Shares and the Placing Shares
“Offer Size Adjustment Option”	the option granted by our Company to the Sole Global Coordinator (for itself and on behalf of the Underwriters) under the Placing Underwriting Agreement exercisable prior to Listing, pursuant to which our Company may be required to allot and issue up to 37,500,000 additional Offer Shares representing up to 15% of the Offer Shares initially available under the Share Offer, at the Offer Price solely to cover over-allocations in the Share Offer
“Over-allotment Option”	the option granted by our Company to the Sole Global Coordinator (for itself and on behalf of the Underwriters) under the Placing Underwriting Agreement exercisable from the date of this prospectus to the 30th day from the last day for lodging applications under the Share Offer, pursuant to which our Company may be required to allot and issue up to 37,500,000 additional Offer Shares representing up to 15% of the Offer Shares initially available under the Share Offer, at the Offer Price solely to cover over-allocations in the Share Offer
“Placing”	the conditional placing by the Placing Underwriters of the Placing Shares on behalf of our Company and the Selling Shareholder for cash at the Offer Price, as further described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing Shares”	the 225,000,000 Shares comprising 141,744,000 New Shares and 83,256,000 Sale Shares being offered at the Offer Price pursuant to the Placing
“Placing Underwriters”	the underwriters of the Placing

DEFINITIONS

“Placing Underwriting Agreement”	the conditional underwriting agreement in relation to the Placing to be entered into by our Company, our executive Directors, our Controlling Shareholders, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and the Placing Underwriters, particulars of which are summarised in the section headed “Underwriting — Underwriting arrangements and expenses — The Placing” in this prospectus
“PRC” or “China”	People’s Republic of China which, for the purposes of this prospectus only, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“PRC Government”	the central government of the PRC including all government departments (including provincial, municipal and other regional or local government entities) and organisations thereof or, as the context requires, any of them
“Price Determination Date”	the date, expected to be on or around 3 December 2015, or such other date as may be agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), on which the Offer Price is fixed for the purpose of the Share Offer
“Profit Principle”	Profit Principle Limited (凱聯有限公司), a company incorporated under the laws of Hong Kong with limited liability on 17 November 1999 and a company that Mr. Tang Kan’s spouse, Ms. Leung Lay Wen Lana, owns more than 30% of the issued share capital
“Public Offer”	the offer of the Public Offer Shares for subscription by the members of the public in Hong Kong for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), payable in full on application, and subject to the terms and conditions described in this prospectus and the Application Forms
“Public Offer Shares”	the 25,000,000 New Shares initially being offered for subscription at the Offer Price under the Public Offer
“Public Offer Underwriters”	the underwriters of the Public Offer

DEFINITIONS

“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 27 November 2015 relating to the Public Offer entered into between our Company, our executive Directors, our Controlling Shareholders, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers and the Public Offer Underwriters, particulars of which are summarised in the section headed “Underwriting — Underwriting arrangements and expenses — The Public Offer” in this prospectus
“QIB”	a qualified institutional buyer within the meaning of Rule 144A
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing as described in the section headed “History, development and Reorganisation — Reorganisation” in this prospectus and the section headed “Statutory and general information — Corporate Reorganisation” in Appendix IV to this prospectus
“Repurchase Mandate”	the general unconditional mandate to repurchase Shares given to our Directors by our Shareholders, further details of which are contained in the section headed “Statutory and general information — Further information about our Company” in Appendix IV to this prospectus
“RHB Capital” or “Sole Sponsor”	RHB Capital Hong Kong Limited, a licensed corporation under the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities, being the sole sponsor to our Company for the Listing
“RHB Securities” or “Sole Global Coordinator”	RHB Securities Hong Kong Limited, a licensed corporation under the SFO to conduct type 1 (dealing in securities) and type 4 (advising on securities) regulated activities, being the sole global coordinator and one of the Joint Bookrunners for the Share Offer
“Sale Shares”	the Shares to be offered for sale by the Selling Shareholder at the Offer Price under the Share Offer
“Selling Shareholder”	Tang J F T
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of our Company

DEFINITIONS

“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 23 October 2015, a summary of the principal terms and conditions of which is set forth in the section headed “Statutory and general information — Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of the Share(s)
“sq.ft.”	square foot (feet)
“Stabilising Manager”	RHB Securities
“Stock Borrowing Agreement”	the stock borrowing agreement to be entered into between our Controlling Shareholders and the Stabilising Manager, pursuant to which the Stabilising Manager may borrow up to 37,500,000 Shares to cover any over-allocations in the Share Offer
“Stock Exchange”	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
“Takeovers Code”	the Code on Takeovers, and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Tang J F T”	Tang J F T Company Limited, a company incorporated in the BVI with limited liability on 18 September 2014, which is owned as to 90.04% and 9.96% by Mr. Tang Kan and the other Active Shareholders, respectively, upon completion of the Reorganisation
“Track Record Period”	the period comprising the three financial years ended 31 March 2013, 2014, 2015 and the five months ended 31 August 2015
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“Underwriters”	the Public Offer Underwriter(s) whose names are set out in the section headed “Underwriting — The Public Offer Underwriters” in this prospectus and the Placing Underwriter(s)
“US” or “U.S.” or “United States”	United States of America
“US\$” or “US Dollars”	United States dollars, the lawful currency of the United States

DEFINITIONS

“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“ WHITE Application Form(s)”	the application form(s) for the Public Offer Shares for use by the public who require such Public Offer Shares to be issued in the applicant’s own name
“ YELLOW Application Form(s)”	the application form(s) for the Public Offer Shares for use by the public who require such Public Offer Shares to be deposited directly into CCASS
“Yen” or “JPY”	the Japanese yen, the official currency of Japan
“%”	per cent.

GLOSSARY OF TECHNICAL TERMS

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

“Budget Speech”	annual budget speech by the Financial Secretary of Hong Kong
“EPD”	Environmental Protection Department of the Hong Kong government
“Hong Kong International Airport”	main airport in Hong Kong located on the island of Chek Lap Kok
“Operation Building Bright”	a government scheme launched in 2009 to promote building rehabilitation and to provide assistance to owners to carry out building repair and maintenance work
“Plant All Risk”	insurance covering protection against all accidental loss or damage for the construction machinery owned by our Group
“QPME”	Quality Powered Mechanical Equipment, a type of construction equipment notably quieter which is more environmentally friendly and efficient
“QPME Equipment”	12 types of commonly used equipment as included in the QPME System, namely, (i) tracked bulldozer; (ii) wheeled bulldozer; (iii) tracked loader; (iv) wheeled loader; (v) excavator; (vi) generator; (vii) mobile crane; (viii) vibratory roller; (ix) road roller; (x) asphalt paver; (xi) vibratory compactor; and (xii) power rammer
“QPME Labels”	Quality Powered Mechanical Equipment labels, applied by either the equipment supplier or the owner and granted under the QPME System as recognition
“QPME System”	Quality Powered Mechanical Equipment System, an administrative labeling system in Hong Kong implemented since 2005 with the refinement implemented in April 2013 for promoting the use of environmentally friendly construction equipment
“RCD”	Reverse Circulation Drilling, a type of commonly used foundation equipment
“Registered Professional Engineer” or “RPE”	a person whose name is on the register of registered professional engineers established and maintained under Section 7 of the Engineers Registration Ordinance (Chapter 409 of the Laws of Hong Kong)
“Revitalising Historic Buildings Through Partnership Scheme”	a government scheme to adaptively re-use suitable government-owned historic buildings

GLOSSARY OF TECHNICAL TERMS

- “Ten Major Infrastructure Projects” Ten Major Infrastructure Projects announced in the policy address issued by the chief executive of Hong Kong in October 2007 including 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
- “unauthorised development” has the meaning ascribed thereto under the Town Planning Ordinance (Chapter 131 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

FORWARD-LOOKING STATEMENTS

This prospectus contains certain statements and information that are “forward-looking” and uses forward-looking terminology such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “may”, “ought to”, “should” or “will” or similar terms, in particular, in the sections headed “Business” and “Financial information” in this prospectus in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

These statements are based on various assumptions regarding our present and future business strategy and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions including the risk factors described in this prospectus and the following:

- our business and operating strategies and the various measures to implement such strategies;
- our dividends;
- our operations and business prospects, including development plans for its existing and new businesses;
- the future competitive environment for the industries in which we operate;
- the regulatory environment as well as the general industry outlook for the industries in which we operate;
- future developments in the industries in which we operate;
- the effects of the global financial markets and economic crisis; and
- other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations and the Listing Rules, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events 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 out in this section. In this prospectus, unless otherwise stated, statements of or references to our intentions or those of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

RISK FACTORS

Prospective investors should consider carefully all the information set forth in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the Share Offer. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and future prospects of our Group. Additional risks not currently known to us or that we now deem immaterial may also harm us and affect your investment.

This prospectus contains certain forward-looking statements regarding our plans, objectives, expectations and intentions which involve risks and uncertainties. Our Group's actual results could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this prospectus. The trading price of the Offer Shares could decline due to any of these risks, and you may lose all or part of your investment.

There are certain risks involved in the operations of our Group, some of which are beyond our Group's control. These risks can be broadly categorised into: (i) risks relating to our business; (ii) risks relating to our Group's market and industry; and (iii) risks relating to the Share Offer and our Shares. Prospective investors investing in the Shares should consider carefully all the information set forth in this prospectus and, in particular, this section in connection with an investment with our Group.

RISKS RELATING TO OUR BUSINESS

The deteriorated financial performance of our Group for the five months ended 31 August 2015 may adversely affect our Group's results in the upcoming financial year.

For the five months ended 31 August 2015, we recorded a significant decrease in the gross profit margin and net profit margin. The gross profit margin dropped from approximately 22.7% for the five months ended 31 August 2014 to approximately 11.3% for the five months ended 31 August 2015. The gross profit margin dropped from approximately 16.9% for the year ended 31 March 2015 to approximately 11.3% for the five months ended 31 August 2015 which was mainly due to the significant decrease in the revenue which lowered the gross profit margin from construction machinery rental segment, from approximately 18.5% for the year ended 31 March 2015 to approximately 3.7% for the five months ended 31 August 2015. The revenue generated from our trading business during FY2013, FY2014 and FY2015 has recorded steady growth. The revenue generated from our trading business in the respective periods has however driven down the overall gross profit margin given that the gross profit margin of our trading business is normally lower than that of our rental business. Subsequently, the overall gross profit margin for the five months ended 31 August 2015 has been further driven down due to the significant decrease in the gross profit of our rental business for the respective period. The decrease in gross profit margin has also led to a decrease in net profit margin. For details of the recent deteriorated financial performance, please refer to the section headed "Financial information — Recent development" in this prospectus.

If the financial results of our Group do not improve or if the deterioration continues, our financial position, results of operations and profitability for the year ending 31 March 2016 may be materially and adversely affected.

RISK FACTORS

We had a pending legal proceeding in relation to a contractual dispute that was brought against us by one of our former customers as at the Latest Practicable Date.

As at the Latest Practicable Date, our Group was under a legal proceeding brought against us by a former customer in relation to a contractual dispute (the “**Legal Proceeding**”). A writ of summons dated 31 October 2012 was issued and a re-amended statement of claim dated 26 June 2014 was filed and served by this former customer alleging us to have breached the rental agreement entered into between this former customer and Chim Kee Machinery by terminating the agreement without valid grounds.

The Legal Proceeding related to our termination of the rental agreement on 3 July 2012 due to the former customer’s failure to make payment for the rental of our machinery, operators and equipment. The former customer alleged that there was no rental payment in arrears and that it had actually made overpayments in an earlier stage. On 16 July 2014, we have filed a re-amended defence and counterclaim for the outstanding rental payments and the relevant costs incurred by the legal proceedings to be paid by the plaintiff. The Legal Proceeding is currently awaiting trial.

As advised by our legal counsel in relation to the Legal Proceeding, Mr. Ian Pennicott S.C., a senior counsel in Hong Kong, that after considering the evidence and the background facts in relation to the Legal Proceeding, this former customer’s allegations and assertions are not cogent and convincing and therefore, Chim Kee Machinery will be likely to succeed in the Legal Proceeding. Based on the opinion from Mr. Ian Pennicott S.C., our Directors are of the view that it is unlikely that this former customer will obtain a judgment in its favour.

Notwithstanding this legal opinion, there is no guarantee that the Legal Proceeding will be resolved in our favour. If the Legal Proceeding is not resolved in our favour, the possible liability will be more than HK\$100 million. In addition, regardless of the outcome of the Legal Proceeding, we need to divert management resources and incur extra costs to handle the lawsuits. The Legal Proceeding may lead to adverse media attention, which could affect our image and reputation. Please refer to the section headed “Business — Legal proceedings and compliance” in this prospectus for details.

Our financial performance and results of operations for the year ending 31 March 2016 will be significantly and adversely affected by our Listing expenses, which are non-recurring in nature, and the expected increase in administrative expenses of our Group.

Our Directors estimate that assuming the Adjustment Options are not exercised and assuming the Offer Price of HK\$0.40 per Offer Share, being the mid-point of the indicative Offer Price range, the total amount of Listing expenses and commissions in connection with the Share Offer is estimated to be approximately HK\$29.4 million of which approximately HK\$19.6 million will be borne by our Company and approximately HK\$9.8 million will be borne by the Selling Shareholder.

The portion of Listing expenses borne by the Selling Shareholder in connection with the Sale Shares of approximately HK\$3.7 million will be set-off against the Listing expenses of our Company. The portion of Listing expenses of approximately HK\$6.1 million reimbursed by the Selling Shareholder in its capacity of a Shareholder will be accounted for as capital contribution to our Company.

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Of the aggregate Listing expenses of HK\$29.4 million, approximately HK\$7.4 million directly attributable to the issue of Offer Shares will be accounted for as a deduction from equity upon Listing. Of the remaining HK\$22.0 million, approximately HK\$3.7 million will be borne by the Selling Shareholder as stated above and approximately HK\$18.3 million will be charged to our profit or loss. Listing expenses of approximately HK\$8.4 million were charged to the profit or loss for the year ended 31 March 2015 and approximately HK\$1.2 million were charged to the profit or loss for the five months ended 31 August 2015 and the remaining amount of approximately HK\$8.7 million will be charged to the profit or loss for the year ending 31 March 2016. Expenses in relation to the Listing are non-recurring in nature. In addition, during the Track Record Period, Mr. James Tang and Mr. Kwok Ho, being the executive Directors of our Company, did not receive any Directors' fee. For details, please refer to Note 12 in the Accountant's Report set out in Appendix I to this prospectus. Under the current arrangement, the basic annual remuneration of our Directors for the year ending 31 March 2016 is expected to be approximately HK\$1.6 million. As such, the financial results of our Group may be adversely affected by the expected increase in administrative expenses. Expenses in relation to the Listing are non-recurring in nature and non-tax deductible. Our Group's financial performance and results of operations for the year ended 31 March 2015 and for the five months ended 31 August 2015 have been significantly and adversely affected by the expenses in relation to the Listing. The financial performance and results of operation of our Group for the year ending 31 March 2016 will also be significantly and adversely affected by the expenses in relation to the Listing, which are non-recurring in nature, and the expected increase in administrative expenses of our Group. The profitability of our Group for the year ended 31 March 2015 and for the five months ended 31 August 2015 might not necessarily give any indication of, and should not be interpreted as a guidance for, the total profit of our Group for the year ending 31 March 2016. It must be emphasised that the amount of such Listing expenses and the expected increase in administrative and other operating expenses are current estimates and for reference only, and the final amount to be recognised as profit or loss of our Group for the year ending 31 March 2016 is subject to audit and changes in variables and assumptions at the relevant time.

There is no guarantee that the Technical Circular or other similar administrative tools issued by the government will not impose any negative impact on our Group.

Under the Technical Circular, exempted regulated machines under the NRMM Regulation in Hong Kong will be phased out progressively from 1 June 2015 and no exempted regulated machines, including generators, air compressors, excavators and crawler cranes will be allowed to be engaged in any new capital works contracts of public works including design and build contracts, with an estimated contract value exceeding HK\$200 million and tenders invited by 1 June 2019. For details of the NRMM Regulation and the Technical Circular, please refer to the section headed "Regulatory overview" in this prospectus.

As at the Latest Practicable Date, our Group has 137 Regulated Machines in total and 84 of the Regulated Machines were granted exemption under the NRMM Regulation. The Technical Circular is to be adopted by relevant works departments of the government which is related directly to the contractual terms in the contracts between the government and the main contractors in the construction industry. It is neither binding nor regulatory to our Group's business operations and any breach of its clauses shall only become a breach of contractual term between the respective government department and the respective main contractor under which our Group shall not be a party. Considering that the Technical Circular shall have no impact to the existing public work contracts that our Group has been involved in, as an illustration purpose, such public work contracts, shall the Technical Circular be applicable,

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accounted for approximately 7.3%, 7.2%, 7.3%, 8.3% and 5.5% of our Group's total revenue for FY2013, FY2014, FY2015 and the five months ended 31 August 2014 and 2015, respectively. Nonetheless, we cannot guarantee that the government will not extend the scope or interpretation of the Technical Circular or issue other similar administrative tools which will cause any potential impact to our business operation, if there is such a case, our business, financial position, results of operations and prospects may be materially and adversely affected.

Our engagements with our customers are project based. There is no guarantee that our existing customers will engage us again in future construction projects among our competitors or will not terminate our agreements within a short timeframe after engagement.

Our customers are mainly construction work companies engaged in either public or private construction projects of which a number of them were recurring customers under our rental operations. These construction projects can be generally categorised into building, infrastructure, transport system and others in which over 40% of revenue were generated from the construction projects of transport system during the Track Record Period. As at the Latest Practicable Date, our construction machineries were utilised by our customers in four on-going major projects and three of them were expected to be completed no sooner than 2016. During the Track Record Period, the major construction projects where our construction machineries were utilised included the construction of the station in Kowloon for the PRC nationwide high-speed railway system, a major station of the West Island Line, the Hong Kong section of the Hong Kong-Zhuhai-Macao Bridge and a major highway interchange in Central, Hong Kong.

Our engagements with our customers are project based. When our customers complete the respective stages of the construction projects we are involved in, our engagements with them will terminate. There is no guarantee that our customers will engage us for our services in any future construction projects. Our customers may choose instead to rent or purchase construction machinery and equipment from our competitors for their future construction projects. In addition, the lead time between our Group receiving enquiry from our customer to the signing of rental agreement ranges from approximately two to five weeks and we normally do not enter into any long-term rental contract with our customers of which under the general rental terms our customers are only subject to a minimum rental period of one month. Accordingly, our customers can engage us or terminate our existing rental agreement in a short timeframe. The financial performance of our Group will be sensitive to the occurrence of such unexpected events or sudden change in business environment in the construction industry as well as the short lead time between our engagement with our customers and the potential termination of contracts by our customers. If any such events materialise, our business operations and future profits can be adversely affected.

If we fail to retain our senior management team or fail to maintain a skilled labour force, our operations and therefore our reputation and future profits may be adversely affected.

Our senior management team, particularly Mr. James Tang, our executive Director and the Chairman, has been with our Group for over 20 years. He has been responsible for our construction machinery rental and trading business and is responsible for overseeing the strategic development of our Group. The senior management team is expected to play an important role in the future growth and

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success of our business. There is however no assurance that we will be able to retain all or any of our senior management or key personnel. Their departure may lead to disruptions to our operations and possibly affect the long term growth of our Group.

We rely on our sales and marketing team to maintain regular contact with the key players of the construction industry in order to ascertain market trends and to solicit new business. If we are not able to retain these sales personnel or if such marketing strategy becomes ineffective in the future, our business and growth prospects may be adversely affected.

We also maintain a team of more than 80 skilled machinery operators and mechanics to operate construction machinery, timely maintenance and other supporting services to our customers. As these personnel have to be formally trained and registered with the relevant regulatory bodies, the number of qualified personnel available in the industry is limited. In the event of a shortage of skilled labours, we may have to increase their salaries in order to retain their services. That will result in an increase in our operating expenses which we may not be able to pass on to our customers and therefore affects our profitability. Even if we increase the salaries of our staff, there is still no guarantee that we will always be able to maintain an adequate number of skilled employees. If we cannot maintain an adequate number of skilled employees, our operations and therefore our profitability will be adversely affected.

The demand for our construction machinery would be adversely affected by the delay in commencement of previous public and public-related projects which is led by: toppling of funding proposals for public works due to (i) lawmakers' filibustering and (ii) protests by affected residents; technical and legal challenges; and cooperation problems amongst different government authorities.

Our Directors consider that by nature of our construction industry, apart from the contract sum awarded, the revenue that can be recognised in the respective year is highly dependent on the work schedule of the projects that our customers, which are mainly construction contractors, are engaged in. For FY2013, FY2014, FY2015 and the five months ended 31 August 2014 and 2015, our revenue generated from public and public-related projects was approximately 69.2%, 79.3%, 64.4%, 60.3% and 71.8% of our total revenue from our rental business, respectively. Our engagement under these public and public-related projects from the construction contractors may rely on the timely funding approval by the committees of the Legislative Council of Hong Kong. Therefore, lawmakers' filibustering which leads to delays in the passing of public works funding proposals by the committees of the Legislative Council of Hong Kong in recent years created uncertainty on the commencement date of our projects in the public sector, which may adversely affect our operations and financial performance of our Group.

In addition, considering the recent state of political environment in Hong Kong, any protests or occupation activity by affected residents in Hong Kong may also delay the construction works to be carried out in a particular area. Since our operations are primarily located in Hong Kong, any change of such political arrangements or environment may pose immediate threat on the stability of the economy in Hong Kong, thereby directly and negatively affecting our results of operations and financial positions of our Group.

Apart from funding approval, we may also encounter other situations which may lead to delay in commencement of public and public-related projects. These situations include technical and legal challenges, cooperation problems among government authorities. Our revenue from construction

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machinery rental services decreased by approximately HK\$40.2 million, or 45.7%, from approximately HK\$88.0 million for the five months ended 31 August 2014 to approximately HK\$47.8 million for the five months ended 31 August 2015. Such decrease was mainly due to (i) the decrease in number of crawler cranes rented attributable to the delay in commencement of several public projects and public-related projects (the “**Delayed Projects**”); and (ii) the completion of two substantial private projects in FY2015 which accounted for approximately 44.9% of revenue from private projects for the five months ended 31 August 2014. Due to the Delayed Projects, the estimated impact on financial performance for the five months ended 31 August 2015 was accounted for approximately HK\$19.9 million in total. All of the Delayed Projects were public or public-related projects of our Group that cover major infrastructure and public facilities in Hong Kong. For further details of the Delayed Projects, please refer to the section headed “Business — Overview” on page 92 in this prospectus. Shall the delay in commencement for the public and public-related projects continue, our Group’s financial position will be further adversely and materially affected.

Our Group’s business performance is dependent on the general market condition and the level of public expenditure on general infrastructure in Hong Kong.

Our Group relies significantly on the level of public expenditure on general infrastructure as reflected by our revenue generated from the public and public-related projects for FY2013, FY2014, FY2015 and the five months ended 31 August 2014 and 2015, which constituted approximately 69.2%, 79.3%, 64.4%, 60.3% and 71.8% of our total revenue from our rental business, respectively. According to the IPSOS Report, the public expenditure on infrastructure in Hong Kong is expected to increase from approximately HK\$76.3 billion in 2015 to approximately HK\$102.9 billion in 2019, at a CAGR of approximately 7.8%. According to the 2014-15 Budget Speech of Hong Kong, the public expenditure on infrastructure is estimated to be approximately HK\$78.2 billion for FY2015, a forecast year-on-year increase of approximately 4.8% from FY2014. It accounts for approximately 17.8% of the total public expenditure, being the largest share of the estimated public expenditure for FY2015. However such estimations are affected due to the delays in the approval for funding applications for some development plans and public works, such as the North East New Territories New Development Areas Project, which affect the expenditure on government projects to be granted during FY2014 and FY2015, as well as the commencement of the relevant projects operating by the construction work companies, such as our potential and existing customers. The general market fluctuation in the construction industry also further delays the commencement of certain new projects, which the main contractors have further revised their commencement dates of the relevant projects. If such delays continue and the political environment in Hong Kong remains unstable, our business, operating results and financial condition could be materially and adversely affected.

Our Group’s business operations are also affected by expenditure caps imposed by the government on some public projects, such as the West Kowloon Terminus for the Guangzhou-Shenzhen-Hong Kong Express Rail Link. During the Track Record Period, our revenue generated from projects relating to the Guangzhou-Shenzhen-Hong Kong Express Rail Link accounted for approximately HK\$4.6 million, HK\$13.6 million, HK\$13.6 million, HK\$7.0 million and HK\$3.0 million for FY2013, FY2014 and FY2015 and the five months ended 31 August 2014 and 2015, respectively, representing approximately 2.3%, 6.9%, 7.8%, 8.0% and 6.3% of our total revenue from our rental business, respectively. If the expenditure caps for those public projects are reached, our customers, which are mostly construction companies in Hong Kong, will be significantly adversely affected and hence our business and operating results will also be materially and adversely affected.

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With the implementation of the Minimum Wage Ordinance, our Group may fail to transfer the rising labour costs to our customers or fail to retain our labour force in a cost effective way.

Our Group relies heavily on human resources for the provision of machinery operators and maintenance services. A substantial proportion of our Group's operating expenses belongs to staff costs. Staff costs for FY2013, FY2014, FY2015, the five months ended 31 August 2014 and 2015 were approximately HK\$53.7 million, HK\$57.2 million, HK\$56.8 million, HK\$23.4 million and HK\$22.4 million, respectively, representing approximately 22.1%, 18.1%, 15.4%, 14.4% and 16.0% of our total revenue, respectively.

The Minimum Wage Ordinance (Cap. 608) (“**Minimum Wage Ordinance**”) was gazetted and introduced a statutory minimum wage of HK\$28.0 per hour in year 2011. Pursuant to the Minimum Wage Ordinance, the Minimum Wage Commission must report its recommendation about the amount of statutory minimum wage at least once in every two years. The statutory minimum wage may be adjusted based on these recommendations. During the Track Record Period, on 1 May 2013, the statutory minimum wage has been revised to HK\$30.0 per hour. Such rate is further increased to HK\$32.5 on 1 May 2015. Accordingly, there is no guarantee that the statutory minimum wage will not continue to rise dramatically or rise at a rate far more extreme than the current rate. Our Directors believe that if our Group is unable to transfer future rising labour costs to our customers, our operating results and therefore our profitability will be adversely affected.

Our Group is exposed to risks related to litigious claims that may affect our operations and our financial positions.

As a construction machinery service provider, our Group is exposed to an inherent risk of litigious claims customary to the construction industry. In carrying out our ordinary course of business, our Group may be subject to the risk of being named as a defendant in regulatory or legal actions, claims and disputes in connection with our business activities. Due to their job nature, our Group's machinery operators may be exposed to risks when operating our construction machinery at our customers' construction sites. They may suffer personal injuries or death as a result of accidents or occupational diseases arising out of and in the course of their employment. They may therefore be entitled to claim damages against our Group under the Employees' Compensation Ordinance (Chapter 282) as well as under the common law. Our Group may also be subject to adverse labour relations and our employees may initiate employment related claims. In situations where we face default payment of service fees owed from our customers, we may have to bring litigious claims against them for the demand of such payment and these claims may lead to additional operation costs which would adversely affect our results of operations.

During the Track Record Period, we faced one appeal to a patent infringement claim, two employment claims and two wage claims which were settled before the Latest Practicable Date. Except as disclosed the Legal Proceeding, as at the Latest Practicable Date, we were undergoing a personal injury claim. For details, please refer to the section headed “Business — Legal proceedings and compliance” in this prospectus.

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Dividends declared in the past may not be indicative in the future.

During the Track Record Period, we declared a dividend of HK\$62.0 million on 30 June 2015. Our Directors may declare dividends after taking into account, among other things, our results of operations, cash flows and financial condition, operating and capital requirements, the Memorandum and Articles of Association, the Companies Law, applicable laws and regulations and other factors that our Directors deem relevant. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Board. There is no assurance that the amount of dividends declared by our Company in the future, if any, will be at a level comparable with that in the past.

We engage third parties to carry out some of the tasks in our operations cycle. The sub-standard or delayed performance of these third parties may adversely affect our Group's reputation.

Our Group has engaged third party service providers for the provision of part of the services such as maintenance, delivery for construction machinery to customers' construction sites and assembly/disassembly of our construction machinery at customers' construction sites. Our Group may not be able to review and monitor the performance of these service providers as directly and as efficiently as managing our own staff. Our inability to ensure the service quality of these third party service providers could also hinder our ability to deliver services to customers in a timely fashion. By engaging them for different tasks, our Group is exposed to risks associated with sub-standard or delayed performance by these third party service providers. If such risks materialise, our service quality to customers may deteriorate and could therefore impact upon our Group's profitability, financial performance and reputation, and result in litigation or damages claims.

In addition, if the third party service providers are in breach of any rules and regulations in relation to health and safety matters, it may expose our Group to prosecutions and/or liable to claims for loss and damages. If there is in fact a violation, our operations and therefore reputation and financial position will be adversely affected.

A significant portion of net proceeds from the Share Offer will be used for purchasing new construction machinery for rental purposes and there is no guarantee that the new purchases will be utilised for our business as expected.

As discussed in the section headed "Future plans and use of proceeds" in this prospectus, we intend to apply approximately HK\$30.7 million, representing 65.2% of the net proceeds from the Share Offer, for the purchase of new construction machinery for our rental fleet. We will be making the purchases based on our business needs depending on our rental requirements. Given the delivery lead time ranging from one to 10 months during the Track Record Period, we may also place orders based on forecasted demands. There is no assurance that the intended new purchases can be utilised at a rent-out rate comparable to that during the Track Record Period or meet with customers' demand. In the event that the new purchases cannot be utilised for our rental business, the profitability and financial performance of our Group may be adversely affected.

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Our landlords may terminate the tenancy agreements with us and we may have to relocate for alternatives.

We have entered into the tenancy agreements for two pieces of land (hereinafter the “**Ma On Shan Site I**” and the “**Ma On Shan Site II**”) located at Whitehead site, Ma On Shan, New Territories for the storage of our construction machineries.

In the event that we are unable to secure storage facilities for our construction machineries and other vehicles, or that our rental fleet continues to expand and/or if there is a sudden reduction in demand for our rental fleet, we may need to secure alternative and/or further storage space. As storage facilities and parking spaces have to be located on premises which can meet permitted land use requirements, such premises may not be immediately available when needed.

Our operations are exposed to risks customary to the construction industry and our existing insurance coverage may not provide our Group with adequate protection against these risks.

We may face the risk of loss or damage to our properties and construction machinery due to fire, flood, theft or other kinds of accidents in our day-to-day operations. Such events may lead to disruptions and may therefore adversely affect our profitability. We have currently maintained comprehensive insurance coverage for our rental fleet as well as our transportation vehicles as required for our provision of transportation services covering fire, flood and other disasters as well as third party insurance. In the event that we face losses, damages or business interruption to our construction machinery, equipment and inventories due to theft or any other accidents at our storage facilities, these losses may not be covered by our insurance and we may not be able to receive any compensation. It will then have an adverse impact on our business operations and financial position.

Notwithstanding our commitment to insurance for our employees as well as coverage for third party liabilities, our liabilities may not be fully covered by insurance in the event that there are claims made against us as a result of accidents. If that is the case, our profitability and financial performance will be adversely affected.

Our trading operations are dependent on the quality and supply of the top five suppliers of our Group.

We work closely with the top five suppliers of our Group for our trading operations, being the manufacturers or traders of construction machinery located in or outside Hong Kong. We are dependent on the quality and continued supply of construction machinery and parts from these suppliers to maintain our trading business. For FY2013, FY2014, FY2015 and the five months ended 31 August 2014 and 2015, the total purchases from these manufacturers were approximately HK\$44.2 million, HK\$116.3 million, HK\$180.8 million, HK\$71.6 million and HK\$74.8 million, representing approximately 55.5%, 77.9%, 87.4%, 85.2% and 91.7% of our total purchases, respectively. A major Japanese manufacturer of crawler cranes has been our largest supplier. Our purchases from this supplier were approximately HK\$21.7 million, HK\$83.1 million, HK\$118.4 million, HK\$36.0 million and HK\$66.8 million for FY2013, FY2014, FY2015 and the five months ended 31 August 2014 and 2015 respectively which were equivalent to approximately 27.2%, 55.8%, 57.2%, 42.9% and 81.8% of our total purchases for the respective periods. We have currently entered into non-exclusive dealership arrangement with this Japanese manufacturer of crawler cranes which shall be ending in March 2016.

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We have no guarantee that we can renew the non-exclusive dealership agreement with the Japanese manufacturer of crawler cranes upon its expiry. As there are not many manufacturers of similar size and reputation in the global construction machinery market, if the top five suppliers of our Group cease to be a going-concern, we may have to source for alternative suppliers and may be charged a higher price, which in turn may adversely affect our profitability and financial performance.

Our reputation may be adversely affected if there are major disruptions in our construction machinery rental and trading business.

Over the years, we believe that we have built goodwill among our customers. For the five months ended 31 August 2015, approximately 62.5% of our revenue were from recurring customers. If there are any major disruptions to our operations due to events such as industrial accidents, major or frequent breakdowns of construction machinery in our rental fleet, recall of construction machinery from our suppliers due to quality problems, inability of our servicing team or our third party service providers to provide timely services to our customers, or due to circumstances beyond our control, we may face adverse publicity and hence our reputation and goodwill with customers may be adversely affected.

We are exposed to foreign exchange risks.

Payments made by our Group for the settlement of our purchases from suppliers are made in Hong Kong Dollars, Euro, Yen and US Dollars. Payments made by the customers of our Group are, on the other hand, mainly made in Hong Kong Dollars, Euro, Yen and US Dollars. Over the Track Record Period, we have recorded a net gain from foreign exchange of less than HK\$0.1 million. In light of the nature of our Group's business, we are exposed to various foreign currencies including JPY, EUR and US\$. Nevertheless, our operations are predominately subject to the fluctuations of EUR and JPY since HK\$ is pegged to each of US\$. Our Directors expect that HK\$, JPY, EUR and US\$ will continue to be mostly used in our business in the foreseeable future.

During the Track Record Period, our Group had entered into a foreign exchange forward contract on 18 September 2014 to buy JPY100 million for HK\$7.2 million on 18 November 2014 (the “**Forward Contract**”). Our Group entered into the Forward Contract to hedge against the fluctuation of JPY against HK\$. The Forward Contract was a one-off transaction during the Track Record Period to cover purchase of two construction machines in JPY from our supplier. Our Group have not adopted any hedging strategy in the long run, however we will review our Group's foreign exchange risk exposure and might enter into foreign exchange forward contract on a case-by-case basis. Despite entering into the Forward Contract, our Group is exposed to exchange rate fluctuations and such exposure may adversely affect the financial position of our Group.

Our registrations of our Group's logo as trademark in Macau and the PRC are pending approval. Failure to register may affect our Group's business operations.

As at the Latest Practicable Date, we were in the process of registering the trademarks of “**占先**” in the PRC and “**CK**” in both Macau and the PRC for principally our rental and trading of construction machinery business. There is no guarantee that we will not receive any objections to the pending trademark application. There is also no assurance that the use of any logo by our Group will not infringe the intellectual property rights of any other third party. Any liability claims made or threaten to be made in relation to the use of the logo by our Group may result in costly litigation and put strain on our Group's financial resources. It may also affect the goodwill and reputation of our Group's operations.

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We are exposed to risks in relation to the collectability of our trade receivables. If our customers default on their payments to us, our profitability, working capital and cash flow will be adversely affected.

For our rental operations, we typically bill our customers on a monthly basis. For the rental of construction machines such as crawler cranes, the rental term typically ranges between one to 12 months depending on the nature of the construction projects our customers are involved in. We bill our customers on a monthly basis at month end plus any extra charges such as inspection fees and extra maintenance costs beyond regular maintenance. We typically grant our rental customers a credit term of up to 30 days. We are therefore exposed to the risks of payment delay and/or default by our customers.

As at 31 March 2013, 31 March 2014, 31 March 2015 and 31 August 2015, our trade receivables amounted to approximately HK\$80.4 million, HK\$66.6 million, HK\$71.8 million and HK\$51.0 million, respectively.

Our average trade receivables turnover days decreased from approximately 101 days as at 31 March 2013 to approximately 85 days as at 31 March 2014, and further decreased to approximately 68 days as at 31 March 2015 and 67 days as at 31 August 2015. Such decrease was mainly attributable to the increase in revenue from trading of construction machinery and parts which our customers had to settle payment before delivery of machinery. Our impairment of trade receivables for FY2013 was approximately HK\$12.1 million, which contributed to the full provision of trade receivable from a customer under a legal proceeding as disclosed in the section headed “Business — Legal proceedings and compliance” in this prospectus. There is no assurance that the financial position of our customers will remain healthy in the future and that we will be able to collect payments from our customers on time. If the financial position of any of our major customers deteriorates in the future, the risk of default on their payments to us will increase, which in turn will adversely affect our profitability, working capital and cash flow.

Our historical financial and operating results may not be indicative of future performance, and we may not be able to achieve and sustain the historical level of revenue and profitability.

We generated our revenue from rental of construction machinery, trading of construction machinery and parts, and transportation services during the Track Record Period. During the Track Record Period, our Group’s revenue has experienced growth through expansion of trading business. Our revenue increased from approximately HK\$242.9 million for FY2013 to approximately HK\$316.8 million for FY2014, representing approximately 30.4% growth. Our revenue further increased to HK\$368.9 million for FY2015, representing a growth of approximately 16.4% from FY2014. However, such trend of historical financial information of our Group is an analysis of our past performance only and does not have any implication or may not necessarily reflect our financial performance in the future as it will solely depend on our capability to secure new contracts, maintain our relationships with our clients and keep our costs at the current level. We cannot assure you that such growth rate can be sustained and if our Group experiences any stagnant or negative growth in the future, our profitability will be adversely affected.

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We recorded net current liabilities during the Track Record Period and may not generate sufficient cash flows in the future to finance our operations or satisfy our current liabilities.

As at 31 March 2013, our Group had net current liabilities of approximately HK\$24.2 million. Due to nature of our business, we purchase construction machinery for our rental business and we finance our purchase by a combination of cash, bank borrowings, bank overdrafts and finance leases. While our construction machinery was classified as non-current assets, our bank borrowings which finance the purchases of construction machinery was classified as current liabilities due to the repayment on demand clause. Our Directors consider that because of our business model and the requirements under the HKFRSs and our accounting policies, our net current liabilities position would continue in the future. The net current liabilities position would expose us to liquidity risk which could restrict our ability to make necessary capital expenditure or develop business opportunities, and our business, operating results and financial condition could be materially and adversely affected.

In addition, if we are unable to generate sufficient cash flow for our operations or otherwise unable to obtain sufficient funds to finance our operations or satisfy our current liabilities in a timely manner, our business operations, our liquidity and our ability to raise funding may be materially and adversely affected by our net current liabilities and negative cash flow from operations. There can be no assurance that we will maintain sufficient working capital, revenues or raise necessary funding to pay off our current liabilities and meet our capital commitments. In such circumstances, our business, financial position, results of operations and prospects may be materially and adversely affected.

Any outbreak of communicable disease in Hong Kong, including but not limited to Ebola, severe acute respiratory syndrome, swine influenza, etc., could have a material and adverse impact on our Group's business.

Any outbreak of communicable disease in Hong Kong could have a material and adverse effect on our Group's business. If any of our Group's employees is affected by any communicable disease outbreaks, our Group may be required to temporarily shut down its offices and to prohibit its staff from going to work to circumvent the spread of the disease. Such closures could severely disrupt our Group's business operations and materially and adversely affect our results of operations. In addition, any outbreak of communicable disease in Hong Kong could also adversely affect our customers' business activities. Any such outbreaks may also lead to rescheduling, delay or termination of construction projects and therefore, our Group's business and also our financial conditions could be adversely affected.

RISKS RELATING TO OUR GROUP'S MARKET AND INDUSTRY

Changes in the market conditions and trends in the construction industry and in the overall economy may affect our Group's operations and growth.

Substantially all of our Group's operations and management are currently located in Hong Kong. The level of profitability of the construction machinery rental and trading industry in Hong Kong depends primarily upon the continued availability of construction projects. The timing, size and nature of these projects will be determined by the interplay of a number of factors such as the government's spending patterns on the construction projects, the investment of property developers and the general conditions and prospects of the local economy. These factors may affect the availability of construction projects from both the private and public sectors.

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In addition to the public spending policies of the Hong Kong government, fluctuations in interest rates and the availability of new projects in the private sector can also affect construction machinery rental and trading market. Should there be a recurrence of recession, deflation or any changes in Hong Kong currency policy, or a rapid deterioration in the demand for construction machinery, our operations and profits can be adversely affected.

Changes in the economic, political and social conditions in Hong Kong, and policies of the Hong Kong government may adversely affect our performance, financial condition and future prospects.

During the Track Record Period, our Group generated approximately HK\$242.9 million, HK\$316.8 million, HK\$368.9 million, HK\$162.7 million and HK\$140.1 million of revenue for FY2013, FY2014, FY2015 and the five months ended 31 August 2014 and 2015, respectively, of which, most of the revenue were generated from our customers in Hong Kong. These customers, regardless of whether public or private in nature, are directly or indirectly affected by the economic, political and social conditions in Hong Kong. The rental and trading of construction machinery business depends heavily on the development of construction activities in the Hong Kong property and infrastructure markets in both the public and private sectors. The construction industry to a large extent depend on the level of public spending of the Hong Kong government on public housing and infrastructure projects. Any delay in government funding approval process may adversely affect the expenditure on government projects to be granted during the relevant financial year, which may affect construction work companies, being our target customers. Any decrease in the level of public spending due to any changes in the government's policies such as deferment, suspension or termination of any public housing or infrastructure projects will also adversely affect our Group's business prospects and our Group's business operations and profitability.

We face competition with existing and new construction machinery service providers despite the entry barriers in the construction machinery service industry. The increased level of competition in the market we operate in may lead to a reduction of our market share and profits.

According to the IPSOS Report, there were around 73 construction machinery service providers in April 2015, among which, 39 of them focused on both construction machinery rental and trading services while 16 of them focused on only construction machinery trading services and the remaining 18 of them focused on only construction machinery rental services. These service providers may have well established relationship with their customers and also reputation in the construction machinery service industry. There are entry barriers for new entrants to enter the construction machinery rental service industry in Hong Kong, such as challenges in acquiring industry expertise, accumulating initial capital investment, and sourcing customers which have already built up relationships with existing service providers. We however face competition with existing construction machinery service providers as well as new entrants which can overcome these entry barriers. In addition, there is an absence of institutional or legal entry barrier in the provision of construction machinery rental and trading services in Hong Kong under which we engaged in. There is also no assurance that our competitors will not develop the expertise, experience and resources necessary to provide services that are superior in quality and/or in price compared to our services. Failure to maintain or enhance our competitiveness within the industry or maintain our customer base may result in decrease in profit margins and loss of market share, and our financial performance and profitability may be adversely affected.

RISK FACTORS

RISKS RELATING TO THE SHARE OFFER AND OUR SHARES

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

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

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

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

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

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

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

RISK FACTORS

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

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

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

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

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

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

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

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

RISK FACTORS

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

Prior to the publication of this prospectus, there may be press or other media, which contains certain information referring to us and the Share Offer that is not set out in this prospectus. We wish to emphasise to potential investors that neither we nor any of the Selling Shareholder, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Underwriters, our Directors, officers, employees, advisers, agents or representatives of any of them, or any other parties (collectively, the “**Professional Parties**”) involved in the Share Offer has authorised the disclosure of such information in any press or media, and neither the press reports, any future press reports nor any repetition, elaboration or derivative work were prepared by, sourced from, or authorised by us or any of the Professional Parties. Neither we nor any of the Professional Parties accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is not contained in this prospectus or is inconsistent or conflicts with the information contained in this prospectus, we disclaim any responsibility, liability whatsoever in connection therewith or resulting therefrom. Accordingly, prospective investors should not rely on any such information in making your decision as to whether to subscribe the Offer Shares. You should rely only on the information contained in this prospectus and the Application Forms.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

OFFER SHARES ARE FULLY UNDERWRITTEN

This prospectus is published solely in connection with the Public Offer which forms part of the Share Offer. For applicants under the Public Offer, this prospectus and the related Application Forms contain the terms and conditions of the Public Offer. The Listing is sponsored by the Sole Sponsor. Pursuant to the Public Offer Underwriting Agreement, the Public Offer is fully underwritten by the Public Offer Underwriters on a conditional basis, with one of the conditions that the Offer Price is agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us (for ourselves and on behalf of the Selling Shareholder). The Placing Underwriting Agreement is expected to be entered into on or about the Price Determination Date, subject to agreement on the Offer Price between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us (for ourselves and on behalf of the Selling Shareholder). If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us (for ourselves and on behalf of the Selling Shareholder), the Share Offer will not proceed. For further information about the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

OFFER PRICE

The Offer Shares are being offered at the Offer Price, which will be determined in Hong Kong Dollars by our Company (for ourselves and on behalf of the Selling Shareholder) and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date. For full information relating to the determination of the Offer Price, please refer to the section headed "Structure and conditions of the Share Offer" in this prospectus.

If the Sole Global Coordinator (for itself and on behalf of the Underwriters) and we are unable to reach an agreement on the Offer Price, the Share Offer will not become unconditional and will lapse.

RESTRICTIONS ON SALE OF THE OFFER SHARES

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

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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

No action has been taken to register or qualify the Offer Shares or the Share Offer, or otherwise to permit a public offer of the Offer Shares, in any jurisdiction outside Hong Kong. The distribution of this prospectus and the related Application Forms in jurisdictions outside Hong Kong may be restricted by law and therefore persons into whose possession this prospectus or any of the related Application Forms comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the applicable securities laws. Each person acquiring the Offer Shares will be required to confirm, or be deemed by his or her or its acquisition of the Offer Shares to have confirmed, that he or she or it is aware of the restrictions on offer of the Offer Shares described in this prospectus.

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

SELLING SHAREHOLDER

The Share Offer initially consists of 250,000,000 Shares, of which 83,256,000 Shares are being sold by the Selling Shareholder under the Placing. We estimate that the net proceeds to the Selling Shareholder from the Sale Shares (after deduction of proportional underwriting fees and estimated expenses payable by our Selling Shareholder in relation to the Share Offer, and assuming an offer price of HK\$0.40 per Offer Share, being the mid-point of the indicative Offer Price range) will be approximately HK\$23.5 million. Our Company will not receive any of the proceeds from the sale of the Sale Shares.

Details of the Selling Shareholder are set out in the section headed “Statutory and general information — Other information — Particulars of the Selling Shareholder” in Appendix IV to this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

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

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

Under Section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, 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.

REGISTER OF MEMBERS AND STAMP DUTY

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

PROFESSIONAL TAX ADVICE RECOMMENDED

If investors are unsure about the taxation implications of the subscription for, purchase, holding or disposal of, dealings in, or exercise of any rights in relation to the Offer Shares, they should consult an expert. It is emphasised that none of our Company, the Selling Shareholder, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Underwriters, any of their respective directors, officers, employees, agents, representatives or any other person or party involved in the Share Offer accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription for, purchase, holding or disposal of, dealings in, or the exercise of any rights in relation to the Offer Shares.

ADJUSTMENT OPTIONS AND STABILISATION

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

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

STOCK BORROWING ARRANGEMENT

For the purpose of covering over-allocations in the Placing, the Stabilising Manager, in its capacity as stabilising manager, may borrow up to 37,500,000 Shares from Tang J F T, equivalent to the maximum number of Shares to be issued on a full exercise of the Over-allotment Option, under the Stock Borrowing Agreement. Such stock borrowing arrangement will be in compliance with Rule 10.07(3) of the Listing Rules.

PROCEDURES FOR APPLICATION FOR PUBLIC OFFER SHARES

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

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares on the Stock Exchange and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS. If investors are unsure about the details of CCASS settlement arrangement and how such arrangements will affect their rights and interests, they should seek the advice of their stockbrokers or other professional advisers.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Thursday, 10 December 2015. Shares will be traded in board lots of 8,000 Shares each. Our Company will not issue any temporary documents of title.

CURRENCY TRANSLATIONS

Unless otherwise specified, translations of US\$ into HK\$ and HK\$ into JPY in this prospectus are based on the exchange rates set out below (for the purpose of illustration only):

US\$1.00:HK\$7.75

HK\$1.00:JPY15.85

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

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

ROUNDING

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

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER
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DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Mr. Tang Yiu Chi James (鄧耀智)	9/F Block Front 438 Nathan Road Yau Ma Tei Kowloon Hong Kong	Chinese
Mr. Kwok Ho (郭皓)	Flat A, 4/F Block 2 154-164 Argyle Street Kowloon Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. Kwong Ping Man (鄺炳文)	Flat G, 29/F Block 2 Aqua Marine 8 Sham Shing Road Cheung Sha Wan Kowloon Hong Kong	Chinese
Mr. Chu Wai Wa Fangus (朱偉華)	Flat C, 22/F Bon-Point No. 11 Bonham Road Hong Kong	Chinese
Ms. Pang Yuen Shan Christina (彭婉珊)	5/F 31 Lyttelton Road Mid-levels Hong Kong	Chinese

For further information on the profile and background of our Directors, please refer to the section headed “Directors, senior management and employees” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor

RHB Capital Hong Kong Limited

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

12th Floor, World-Wide House
19 Des Voeux Road Central
Hong Kong

Sole Global Coordinator

RHB Securities Hong Kong Limited

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

12th Floor, World-Wide House
19 Des Voeux Road Central
Hong Kong

Joint Bookrunners

RHB Securities Hong Kong Limited

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

12th Floor, World-Wide House
19 Des Voeux Road Central
Hong Kong

China Industrial Securities International Capital Limited

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

Unit 3201-04, 32/F, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

Legal advisers to our Company

As to Hong Kong law:

CFN Lawyers in association with Broad and Bright Solicitors, Hong Kong

Unit 1602
16/F, Tung Chiu Commercial Centre
193-197 Lockhart Road
Wan Chai
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER
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As to Cayman Islands law:

Appleby

Cayman Islands attorneys-at-law

2206–19 Jardine House

1 Connaught Place

Central

Hong Kong

As to Macau law:

MdME

Macau attorneys-at-law

Avenida da Praia Grande

409, China Law Building

21/F and 23/F A-B

Macau

**Legal advisers to the Sole Sponsor and
the Underwriters**

As to Hong Kong law:

Pang & Co. in association with Loeb & Loeb LLP

Solicitors, Hong Kong

21st Floor, CCB Tower

3 Connaught Road Central

Hong Kong

Reporting accountant

BDO Limited

Certified Public Accountants

25th Floor, Wing On Centre

111 Connaught Road Central

Hong Kong

Internal Control Consultant

CT Partners Consultants Limited

Unit 1601A, 16/F

Tower 6, China Hong Kong City

33 Canton Road

Hong Kong

Receiving bank

DBS Bank (Hong Kong) Limited

16/F, The Centre

99 Queen's Road Central

Hong Kong

CORPORATE INFORMATION

Registered Office in the Cayman Islands	Clifton House 75 Fort Street P.O. Box 1350 Grand Cayman KY1-1108 Cayman Islands
Headquarter	1/F Block Front 438 Nathan Road Yau Ma Tei Kowloon Hong Kong
Principal place of business in Hong Kong (registered under Part 16 of the Companies Ordinance)	1/F Block Front 438 Nathan Road Yau Ma Tei Kowloon Hong Kong
Company secretary	Mr. Chan Man Kay (<i>HKICPA</i>) Flat A, 7/F Block 6 Palm Mansion 7 Shung King Street Hung Hom Kowloon Hong Kong
Authorised representatives (for the purpose of the Listing Rules)	Mr. Chan Man Kay Flat A, 7/F Block 6 Palm Mansion 7 Shung King Street Hung Hom Kowloon Hong Kong Mr. Kwok Ho Flat A, 4/F Block 2 154-164 Argyle Street Kowloon Hong Kong
Audit committee	Mr. Kwong Ping Man (<i>Chairman</i>) Mr. Chu Wai Wa Fangus Ms. Pang Yuen Shan Christina

CORPORATE INFORMATION

Remuneration committee	Mr. Chu Wai Wa Fangus (<i>Chairman</i>) Mr. Tang Yiu Chi James Mr. Kwong Ping Man Ms. Pang Yuen Shan Christina
Nomination committee	Mr. Tang Yiu Chi James (<i>Chairman</i>) Ms. Pang Yuen Shan Christina Mr. Kwong Ping Man Mr. Chu Wai Wa Fangus
Compliance adviser	RHB Capital Hong Kong Limited 12th Floor, World-wide House 19 Des Voeux Road Central Hong Kong
Principal share registrar and transfer office in the Cayman Islands	Appleby Trust (Cayman) Ltd. Clifton House 75 Fort Street P.O. Box 1350 Grand Cayman KY1-1108 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Level 22 Hopewell Centre 183 Queen's Road East Hong Kong
Principal banker	DBS Bank (Hong Kong) Limited Units 1208–18, Miramar Tower 132–134 Nathan Road Tsimshatsui Kowloon Nanyang Commercial Bank, Ltd. G/F, 8 Sunning Road Causeway Bay Hong Kong
Company's website address	<u>www.chimkeegroup.com.hk</u> (<i>the information contained in this website does not form part of this prospectus</i>)

INDUSTRY OVERVIEW

Certain facts, statistics and data presented in this section and elsewhere in this prospectus have been derived, in part, from various government official publications as well as the commissioned report from IPSOS, an independent third party. We believe that the sources of such information and statistics are appropriate and we have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information or statistics are 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. Such information and statistics have not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners or any other party involved in the Share Offer or any of our or their respective directors, officers or representatives. No representation is given as to their correctness or accuracy. Accordingly, you should not place undue reliance on such information or statistics.

SOURCES OF INFORMATION

We commissioned IPSOS, an independent market research consulting firm, to conduct an analysis of, and to report on, the construction machinery rental service industry and construction machinery trading industry in Hong Kong for the period from 2009 to 2019. The information and analysis contained in the IPSOS Report was assessed independently by IPSOS which is not connected to our Group in any way. A total fee of HK\$368,000 will be paid to IPSOS for the preparation of the IPSOS Report. The payment of such amount was not conditional on our Group's successful listing or on the results of the IPSOS Report.

IPSOS is an independent market research company with approximately 16,000 personnel worldwide across 85 countries. IPSOS conducts research on market profiles, market size and market share and performs segmentation analysis, distribution and value analysis, competitor tracking and corporate intelligence.

The information and statistics set forth in this section have been extracted from the IPSOS Report. We believe that such information facilitates an understanding of the relevant market for potential investors. The information contained in the IPSOS Report is derived by means of data and intelligence gathering methodology which consists of: (i) desk research; (ii) client interview and consultation; and (iii) primary research, including interviews with key stakeholders and industry experts in Hong Kong, including construction machinery rental service providers (with or without trading services), construction work companies, main contractors and subcontractors, industry experts and association in Hong Kong, etc.

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

INDUSTRY OVERVIEW

Our Directors and the Sole Sponsor, having considered the data and intelligence gathering methodology of IPSOS which includes desk research and primary research comprising interviews with industry associations and other stakeholders, are satisfied that the above assumptions are not misleading.

ASSUMPTIONS AND PARAMETERS USED IN IPSOS REPORT

The following assumptions are used in the IPSOS Report: (i) the global economy remains a steady growth across the forecast period; and (ii) there is no external shock such as financial crisis or natural disasters to affect the demand and supply of construction machinery rental and trading service during the forecast period.

NO ADVERSE CHANGE IN MARKET INFORMATION

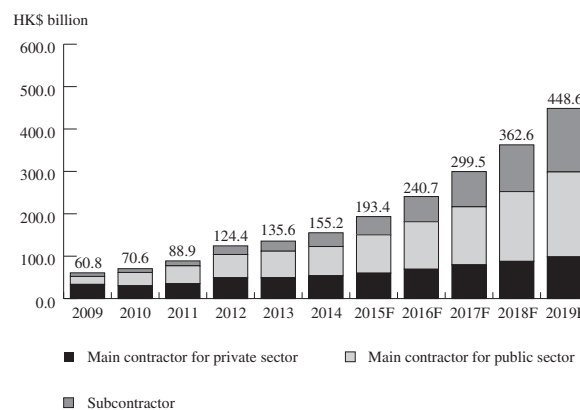
Our Directors confirm that, to the best of their knowledge, after taking reasonable care as at the date of this prospectus, there is no material adverse change in the market information since the date of the IPSOS Report which may qualify, contradict or have an impact on the information in this section.

OVERVIEW OF THE CONSTRUCTION MACHINERY RENTAL SERVICE AND TRADING SERVICE INDUSTRY IN HONG KONG

Overall construction industry

The total gross output value of construction works performed by contractors at construction sites for both public and private construction projects in Hong Kong increased from approximately HK\$60.8 billion in 2009 to approximately HK\$155.2 billion in 2014, representing a CAGR of approximately 20.6%. This was primarily attributable to the increase in total value of construction projects commissioned by the contractors in both the public and private sectors between 2009 and 2014.

Figure 1. Gross Output Value of Construction Works Performed by Contractors at Construction Sites in Hong Kong from 2009 to 2019



Sources: IPSOS Report; Census and Statistics Department, HKSAR

The demand for construction works performed by contractors at construction sites in Hong Kong is expected to increase due to the growing demand for housing and infrastructure.

INDUSTRY OVERVIEW

The total gross output value of construction works performed by contractors at construction sites in Hong Kong is expected to grow from about HK\$193.4 billion in 2015 to HK\$448.6 billion in 2019, representing a CAGR of approximately 23.4%.

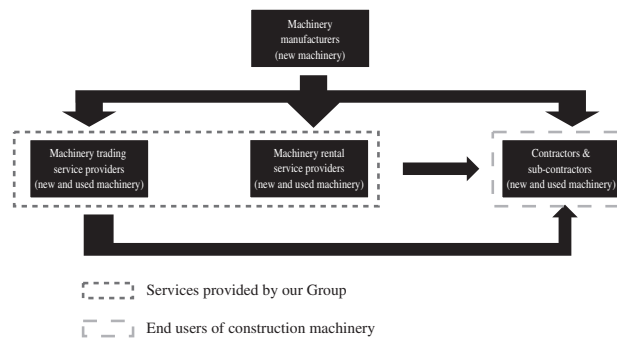
The construction machinery rental and trading services can serve any types of construction work companies which include companies for different construction functions including but not limited to civil engineering and buildings, which can be applied on infrastructure, public facilities, residential, commercial and industrial projects. The revenue of the construction machinery rental industry and trading industry accounted for approximately 2.6% and 1.7% of the revenue of the whole construction industry in 2014, respectively.

Sources of construction machinery for end users

The common ways in obtaining construction machinery for construction works mainly include (i) purchasing new machines directly from machinery manufacturers; (ii) renting new and used machines from machinery rental service providers; or (iii) purchasing new and used machines from machinery trading service providers. In general, the construction machinery manufacturers would sell their new construction machinery through various machinery rental or trading service providers. In certain occasions, they may also sell their new construction machinery directly or by way of finance lease to end users.

The construction machinery rental and trading service industry is distinctive to the direct sales market on the basis that the rental and trading service providers also provide various services to the end-users. Construction machinery rental and trading service providers offer a wide range of services including design consulting services, machinery recommendation, provision of operators throughout the construction projects and value-added after-sales services such as maintenance service. Moreover, construction machinery rental and trading service providers can offer a wide range of construction machineries at one time, whereas contractors can only acquire one brand/type of construction machinery when they purchase from the machinery manufacturers directly. With the provision of a variety of services and for the ease of convenience, contractors will continue to purchase construction machinery through construction machinery rental and trading service providers in the coming future. A construction machinery rental and trading service provider nowadays can engage in most of the stages of a construction projects and due to the expansion of services offered, the involvement of rental and trading service providers in construction projects is also bigger than before.

Figure 2. Simplified Supply Chain of Construction Work that involves Provision of Machinery



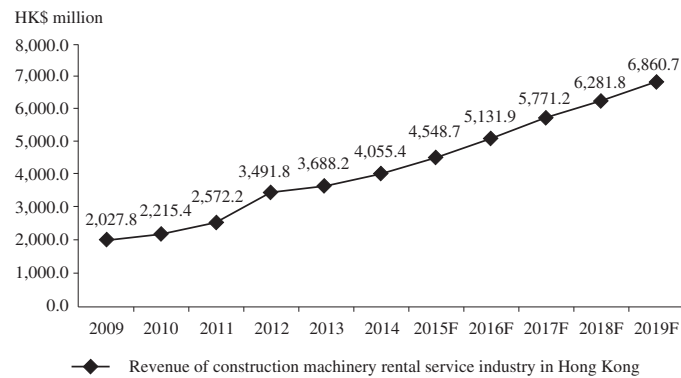
Source: IPSOS Report

INDUSTRY OVERVIEW

Construction Machinery Rental Service Industry in Hong Kong

The revenue of the construction machinery rental industry accounted for approximately 2.6% of the revenue of the whole construction industry in 2014. The revenue of construction machinery rental service industry in Hong Kong grew at a CAGR of approximately 14.9% from approximately HK\$2,027.8 million in 2009 to approximately HK\$4,055.4 million in 2014. The continuous increase in revenue from 2009 to 2014 was due to the strong demand from construction work, primarily due to the commencement of large public projects and inflations.

Figure 3. Revenue of Construction Machinery Rental Service Industry in Hong Kong from 2009 to 2019



Source: IPSOS Report

It is expected that the revenue of construction machinery rental service industry in Hong Kong will increase from approximately HK\$4,548.7 million in 2015 to approximately HK\$6,860.7 million in 2019, representing a CAGR of about 10.8%. It is primarily due to the investment for public infrastructure is expected to stay hectic.

Rental methods

Regarding financing method of leasing new and used machines, machinery rental service providers usually offer two types of leases to customer — operating leases and financing leases. Operating leases are generally short-term arrangements that allow contractors to acquire machinery for a fraction of the asset's useful life. On the other hand, financing leases are longer term arrangements that allow contractors to acquire machinery over a period of steady payments.

Rental duration

The length of rental period ranges from a day, week, month or year, subject to the requirements of the customers, scale and schedule of projects that customers involved in and types of machinery.

Insurance

In case any accident happens, the responsibility is usually born by the end users of the machinery such as contractors at construction site but not the construction machinery rental service providers as the contractors owe the duty to inspect and check the machinery upon receipt and before using it.

INDUSTRY OVERVIEW

Common types of machinery offered by machinery rental service providers

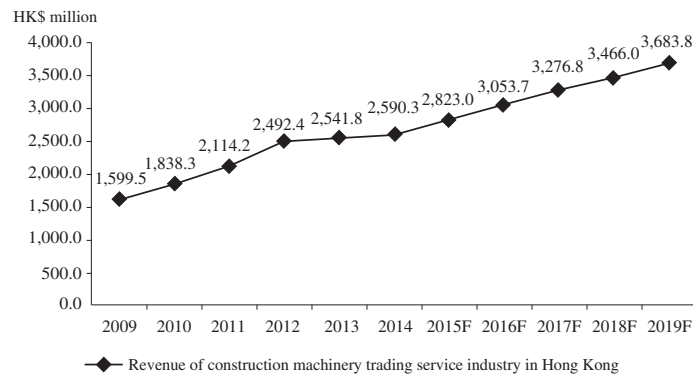
The table below sets out some common types of machinery offered by machinery rental service providers in Hong Kong:

Categories	Types of machines
Crawler cranes (and other mobile cranes)	Crawler crane, hydraulic mobile crane, rough terrain crane, tower crane
Aerial platforms	Scissor lift (electric), telescopic boom (diesel), articulated boom (diesel)
Others	Tele-handler, bridge inspection vehicle, diesel generator, air compressor, vibrator, casing oscillator

Construction Machinery Trading Service Industry in Hong Kong

The revenue of the construction machinery trading industry accounted for approximately 1.7% of the revenue of the whole construction industry in 2014. The revenue of construction machinery trading service industry in Hong Kong increased at a CAGR of approximately 10.1%, from approximately HK\$1,599.5 million in 2009 to approximately HK\$2,590.3 million in 2014.

Figure 4. Revenue of Construction Machinery Trading Service Industry in Hong Kong from 2009 to 2019



Source: IPSOS Report

It is expected that the revenue of construction machinery trading service industry in Hong Kong will increase from approximately HK\$2,823.0 million in 2015 to approximately HK\$3,683.8 million in 2019, representing a CAGR of about 6.9%. It is primarily due to the on-going Shatin to Central Link and South Island Line projects and “Ten Major Infrastructure Projects” that start in the coming years or enter the next stages, which will therefore continue to create a great demand for construction machinery trading service industry in Hong Kong.

INDUSTRY OVERVIEW

Common types of machinery offered by machinery trading service providers

Most of the construction machinery trading service providers generally focus on two to three types of machinery, such as crawler cranes and mobile cranes, which consist of around three to five brands. Some are capable to offer eight to ten brands of machinery to customers. Machinery trading service providers either import machinery of which they anticipated a market demand for such machinery or based on the orders placed by the customers.

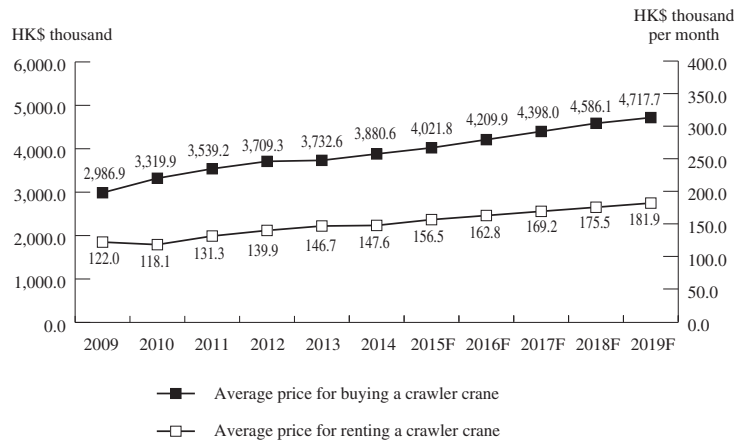
Arrangement in purchasing construction machinery

In general, a mark-up is added on top of the import price which is highly influenced by the market demand at the time when the machinery trading service providers sells machinery to the customers. Around 10% to 20% of down payment is usually required to be paid in advance upon signing of the purchasing agreement with the customer. Upon delivery to sites or yards, the remaining amount is to be settled by a letter of credit offered by the customers to the construction machinery trading service providers.

Average price for renting and purchasing machinery

According to the IPSOS Report, 50-tonne crawler cranes are widely used in the construction machinery rental and trading industry in Hong Kong.

Figure 5. Average Price for Renting and Buying a Crawler Crane in Hong Kong from 2009 to 2019



Source: IPSOS Report

According to the IPSOS Report, the average price for renting a 50-tonne crawler crane increased at a CAGR of approximately 3.9% from approximately HK\$122.0 thousand per month in 2009 to approximately HK\$147.6 thousand per month in 2014, while the average price for purchasing a 50-tonne crawler crane increased at a CAGR of approximately 5.4% from an estimated HK\$2,986.9 thousand in 2009 to an estimated HK\$3,880.6 thousand in 2014.

INDUSTRY OVERVIEW

Number of Licensed Construction Machinery Operators in Hong Kong

There were approximately 6,638 operators for truck-mounted crane in 2014, representing approximately 26.3% of the total number of construction machinery operators in the market who were registered under the Construction Workers Registration Board of the Construction Industry Council.

The total number of licensed construction machinery operators in Hong Kong increased slightly from approximately 22,022 in 2009 to approximately 25,213 in 2014 at a CAGR of approximately 2.7%. As of 31 December 2014, the number of construction machinery operators registered under the Construction Workers Registration Board of the Construction Industry Council was approximately 25,213 with continuous initiatives imposed by both the government and Construction Industry Council of Hong Kong.

COMPETITIVE LANDSCAPE OF CONSTRUCTION MACHINERY RENTAL SERVICE INDUSTRY

Market Competition

In April 2015, there were approximately 57 construction machinery rental service providers in Hong Kong, about 18 of them mainly focused on construction machinery rental service and the remaining 39 providers focused on both construction machinery rental and trading services.

The popular construction machineries for rental service in Hong Kong are mainly crawler cranes, hydraulic mobile cranes, tower cranes, diesel generators, and air compressors.

Factors influencing competition in the construction machinery rental service industry

The construction machinery rental service providers compete mainly on:

- (i) **Rental fee:** rental fee is an important concern for customers in the construction machinery rental service industry. Typically, those construction machinery rental service providers who can effectively offer competitive rental fees and maintain a good quality of service and machinery will enhance their competitive advantage, regardless the increasing costs in the construction industry, in particular the rising labour cost;
- (ii) **Quality of machinery for rental:** quality of the construction machinery rented from the construction machinery rental service providers may have significant impact on the customers' project schedule. If the construction machinery frequently breaks down, the extra time required for repairs may lead to project delay which may cause claim;
- (iii) **Relationship with the customers:** the Hong Kong government, property developers, main contractors and subcontractors, being the major end users of construction machinery tend to cooperate with construction machinery rental service providers who can offer good quality construction machinery. The construction machinery rental service providers with good reputation and long operation history are believed to be more competitive in the construction machinery rental service industry; and

INDUSTRY OVERVIEW

- (iv) **Value-added and after-sales services:** apart from trading and rental services, the construction machinery rental service providers provide other related services, such as providing design consulting services to the customers. At the design consulting services stage, the construction machinery rental service providers may recommend the number, the types, and even the models of construction machinery to be used for a particular construction project. Also, after-sales services such as annual check for the machinery, trainings to operators regarding the instruction of operating the machinery, maintenance services as well as warranty, etc., become one of the criteria for the customers to select the construction machinery rental service providers.

Top five largest construction machinery rental service providers in Hong Kong

The top five construction machinery rental service providers in Hong Kong accounted for approximately 19.6% of the total market share, while the remaining construction machinery rental service providers accounted for approximately 80.4% of the total market share of total foundation business by revenue in Hong Kong in 2014.

Rank	Name of company	Headquarter location	Revenue in 2014 (January to December) (HK\$ million)	Share of total industry revenue (%)
1	Competitor A	Hong Kong	296.6	7.3
2	Competitor B	Singapore	197.9	4.9
3	Our Group	Hong Kong	174.7 ^(Note)	4.3
4	Competitor C	Hong Kong	78.0	1.9
5	Competitor D	Hong Kong	46.8	1.2
Others			3,261.4	80.4
Total			4,055.4	100.0

Source: IPSOS Report

Note: It represents revenue generated from the financial year ended 31 March 2015.

COMPETITIVE LANDSCAPE OF CONSTRUCTION MACHINERY TRADING SERVICE INDUSTRY

Market Competition

In April 2015, there were approximately 55 construction machinery trading service providers in Hong Kong, approximately 39 of them focused on both construction machinery rental and trading services while the remaining 16 focused only on construction machinery trading service.

INDUSTRY OVERVIEW

Top five largest construction machinery trading service providers in Hong Kong

Rank	Name of Company	Headquarter Location	Revenue in 2014	Share of total
			(January to December) (HK\$ million)	industry revenue (%)
1	Our Group	Hong Kong	191.4 ^(Note)	7.4
2	Competitor B	Singapore	126.5	4.9
3	Competitor E	Hong Kong	82.5	3.2
4	Competitor D	Hong Kong	33.4	1.3
5	Competitor F	Hong Kong	24.2	0.9
Others			2,132.3	82.3
Total			2,590.3	100

Source: IPSOS Report

Note: It represents revenue generated from financial year ended 31 March 2015.

Top five largest construction machinery rental and trading service providers in Hong Kong

Rank	Name of Company	Headquarter Location	Revenue in 2014	Share of total
			(January to December) (HK\$ million)	industry revenue (%)
1	Our Group	Hong Kong	366.2 ^(Note)	5.5
2	Competitor B	Singapore	324.4	4.9
3	Competitor A	Hong Kong	305.1	4.6
4	Competitor E	Hong Kong	104.8	1.6
5	Competitor C	Hong Kong	78	1.2
Others			5,467.2	82.2
Total			6,645.7	100

Source: IPSOS Report

Note: It represents revenue generated from financial year ended 31 March 2015.

MARKET GROWTH DRIVERS AND OPPORTUNITIES FOR THE CONSTRUCTION AS WELL AS THE CONSTRUCTION MACHINERY RENTAL AND TRADING INDUSTRIES IN HONG KONG

Increase in public expenditure on infrastructure in Hong Kong

The public expenditure on infrastructure in Hong Kong is expected to increase from approximately HK\$76.3 billion in 2015 to approximately HK\$102.9 billion in 2019, at a CAGR of approximately 7.8%. According to the 2014–15 Budget Speech of Hong Kong, the public expenditure on infrastructure is estimated to be approximately HK\$78.2 billion for 2014–15, a forecast year-on-year increase of approximately 4.8% from 2013–14. It accounts for approximately 17.8% of the total public expenditure, being the largest share of the estimated public expenditure for 2014–15. Due to the delays in the approval for funding applications for some development plans, the expenditure on government projects to be granted during the financial year of 2014 was affected. Moreover, the estimated public expenditure of spending around HK\$78.2 billion in 2014 stated in 2014–15 Budget Speech was revised to around HK\$73.9 billion for the same period in 2015–16 Budget Speech, partly attributed to the negative impact of the delay in funding approval by the Legislative Council of Hong Kong. It thus created pressure on the construction industry as well as the construction machinery rental and trading industry. The public expenditure on infrastructure in Hong Kong was mainly attributable by the ongoing “Ten Major Infrastructure Projects” which will continue to contribute to the growth in the public expenditure on infrastructure in Hong Kong.

Increase of public and private residential housing supply

According to the 2014 Policy Address of Hong Kong, the Hong Kong government has identified sufficient land for approximately 179,000 public rental housing units and approximately 17,000 home ownership scheme units as pledged. In particular, it aimed to provide an average of approximately 20,000 public rental housing units and approximately 8,000 home ownership scheme units per year in the next decade, which suggests that the supply of public housing in the coming ten years will increase by approximately 36% compared to what was pledged by the Hong Kong government last year. It also approved the new housing supply target of providing a total of approximately 470,000 units, which consists of approximately 60% of public housing, in the coming ten years. Aligning with the government’s effort to meet the housing demand from the society, according to the Hong Kong Housing Authority, the number of public rental housing production is anticipated to have a substantial growth of a CAGR of approximately 13.6%, increasing from approximately 9,900 units to approximately 16,500 units from 2014 to 2018.

Furthermore, it has identified about 80 additional green belt sites and Government, Institution or Community (“GIC”) sites in various districts with a total area of over 150 hectares with the potential to be rezoned for residential use. These sites can be made available in the period of 2014 and 2018 to provide approximately 89,000 units to help meet the demand for housing land over the next decade. Including sites identified earlier on, there are approximately 150 sites that have to be rezoned for residential use and will be made available over the next five years to provide approximately 210,000 additional public and private units. To rezone these sites for housing purposes, some sites may require land resumption, clearance or relocation of existing or planned facilities. These initiatives of Hong Kong government in securing and rezoning land for residential housing supply will be one of the driving forces for growth of construction industry in Hong Kong.

COMPETITIVE ADVANTAGES OF OUR GROUP

Reputation

With over 17 years of experiences in the construction machinery rental service industry in Hong Kong, our Group has established high reputation in the construction machinery rental service industry as well as the construction industry in Hong Kong. Moreover, during the Track Record Period, our Group has maintained a comprehensive fleet of over 200 construction machines and equipment for rental including crawler cranes and other mobile cranes, aerial platforms and foundation equipment. Such well-established reputation and long operation history allows our Group to be more visible in the market and thus increases the chance of being approached.

Impressive track record

Track record is important in the both construction machinery rental industry and the construction industry in Hong Kong, as track record can gain trust from potential customers. Any project delays in the construction industry in Hong Kong may cause claim. Whilst, the project schedule may be seriously affected by the quality of the construction machinery rented from the construction machinery rental service providers. Therefore, contractors tend to cooperate with construction machinery rental service providers who can offer quality construction machinery, and quality of the construction machinery offered by construction machinery rental service providers. The impressive track record of our Group will help in gaining trust from potential customers, having advantage of winning a rental contract or trading order, and eventually staying competitive in the construction machinery rental service industry in Hong Kong.

Flexibility

Our Group is not the sole agent of any construction machinery brands, instead, it is the agent of various construction machinery brands. This ensures our Group to have a higher flexibility in deciding the number and types of construction machinery it trades. Such flexibility in deciding the number and types of construction machinery it trades may help our Group in purchasing construction machinery which suits Hong Kong market, and hence may facilitate the growth and development of our Group.

MARKET BARRIERS TO ENTRY

Significant initial capital investment

Construction machinery rental service providers need a significant amount of capital to be able to commence business in the machinery rental service industry which is capital intensive in nature. Substantial start-up costs are mainly for pre-requisite of construction machineries and renting a piece of land for machinery storage. The costs of purchasing a fleet of machinery are ranging from hundreds to thousands million of Hong Kong dollars, depending on the types, functionalities and conditions of machinery. In addition, due to the large size and volume of construction machinery, the land required for storing a fleet of machines for rental services is expected to be large and so does the cost.

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Insufficient industry expertise

Industry expertise and knowledge in construction industry can also be an entry barrier. It takes time for new entrants to become knowledgeable and reputable in introducing or sourcing suitable machinery to their customers in terms of machinery functionalities, specifications and applications to different construction stages which meet customers' need. Lack of relevant experience in the construction machinery and insufficient industry expertise will hinder new entrants from entering the construction machinery rental service industry.

Well-established relationships with customers

Relationship with customers is recognised in this industry. Customers in the construction machinery rental service industry usually have their own lists of suppliers who have previous course of cooperation and relationship with them. Given a homogenous product nature of construction machinery, customers usually prefer machinery rental service providers with good reputation whom they have successfully leased machines for previous projects. New entrants may need extra effort in securing business from the reputable existing construction machinery rental service providers.

CHALLENGES TO CONSTRUCTION MACHINERY RENTAL AND TRADING SERVICE INDUSTRY

Our major suppliers include some of the major manufacturers of construction machinery from places such as Japan, Korea, Germany and other European countries. According to the IPSOS Report, a large proportion of machinery for the Hong Kong construction industry has been imported from Japan. For example, for crawler cranes and hydraulic mobile cranes, approximately 62.5% were imported from Japan and approximately 18.8% were imported from Germany. However, given the Summer Olympics will be held in Tokyo, Japan in 2020, it is expected that more construction works and thus construction machinery for infrastructure, hotels and public facilities are required for this event. Some construction machinery which could be originally exported to Hong Kong and other countries may be remained in Japan for local use, which may lead to a decline in supply of construction machinery from Japan.

Construction machinery brands and manufacturers originated from China have started to enter Hong Kong market in recent decade. The rise of Chinese brands has introduced the Hong Kong market with more choices of construction machinery. These Chinese brand construction machineries are usually priced comparatively lower than those imported from foreign countries (around 30% cheaper than that of foreign brands). Customers may opt to purchase the desired construction machinery for a long-term use instead of renting from construction machinery rental service providers. Therefore, the competition from Chinese construction brands and manufacturers may become a threat to the construction machinery rental service providers. However, the trade-off for a competitive price is the possible reduction in quality and the reputation of the Chinese brands is less established than the counterparts.

The delay in the approval for funding applications for some development plans and public works, such as the North East New Territories New Development Areas Project, affected the expenditure on government projects to be granted during FY2014 and FY2015, as well as the commencement of the relevant projects operated by the construction work companies, such as our Company's potential and existing customers. Moreover, the estimated public expenditure of spending around HK\$78.2 billion in 2014 stated in 2014–15 Budget Speech was revised to around HK\$73.9 billion for the same period in 2015–16 Budget Speech, partly attributed to the negative impact of the delay in funding approval by the

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Legislative Council of Hong Kong. Any delay in government funding approval process may adversely affect the expenditure on government projects which may affect the construction work companies. It thus created pressure on the construction industry as well as the construction machinery rental and trading industry. Nonetheless, according to the opening statement of the Chief Executive Leung Chun-ying on 9 July 2015 attending the Chief Executive's Question and Answer Session in the Legislative Council of Hong Kong, the projects applied for funding in the previous legislative session delayed for more than six months on average and it is envisaged that these projects will be commenced in the fourth quarter of 2015 or first quarter of 2016.

Apart from delay in funding approval, the government projects have encountered other challenges.

In relation to the Shatin to Central Link (the "SCL"), due to the archaeological survey and relics preservation at To Kwa Wan Station, there is at least 11 months delay in the Taiwai to Hung Hom Section. Further, the works of the Hong Kong Island section of the SCL are required to have coordination with other infrastructure projects such as Wan Chai Development Phase II and Central-Wan Chai Bypass, which will further complicate the construction of SCL and impose challenges on the works programme. The handover date for the associated critical site areas has a delay of 6 months as compared with the original program, due to which the SCL is deferred.

In relation to the Liantang/Heung Yuen Wai Boundary Control Point (the "LT/HYW BCP"), its funding application for the construction of BCP buildings and associated facilities has not yet received support from the Public Works Subcommittee due to the concerns over extraordinary costs incurred and the impact on the transportation system in the North District, and the lengthy process of seeking funding in the Legislative Council.

In relation to the Hong Kong-Zhuhai-Macao Bridge (the "HKZMB"), it encountered technical difficulties in construction and occurrence of industrial accidents which lead to delay. The HKZMB was suspended for a total of 140 days in the past three years (i.e. the 2012–2013, 2013–2014 and 2014–2015) on account of suspension notices issued by the Labour Department in connection with the occurrence of industrial accidents and the total number of industrial accidents during the past three years was 89. Besides, the judicial review brought by a citizen, named Chu Yee Wah, has further delayed its obtaining of environmental permits for the construction and operation of its projects.

REGULATORY OVERVIEW

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

HONG KONG LAWS AND REGULATIONS

Other than the Companies Ordinance and requirement of business registration applicable to companies in Hong Kong, there is no legal regulation requiring construction machinery suppliers in Hong Kong to obtain specific operating licence from the government in order to carry out construction machinery rental and trading activities. Notwithstanding, during the provision of service, including the installation, operation, inspection, maintenance and dismantling of construction machinery are required to abide by relevant laws and regulations summarised as follows:

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

The FIU Ordinance provides that the proprietor of a construction work undertaking shall not employ any person to carry out construction work at the undertaking unless that person has been issued a valid certificate for attending a safety training course recognised by the Commission for Labour. Such person employed at the undertaking shall carry the certificate with him while at work at the undertaking and shall produce the same upon demand.

The Code of Practice for Safe Use of Mobile Cranes (the “Code of Practice”)

Section 7A of the FIU Ordinance confers the Commissioner for Labour the authority to issue codes of practice for the purpose of providing practice guidance in respect of any one or more of the requirements of the FIU Ordinance. The Code of Practice covers the responsibilities of the owners and operators of the mobile cranes. An owner of any crane includes the lessee or hirer, any person in charge or having control or management of the crane and the contractor who has control over the way any construction work which involves the use of the crane is carried out.

Under the Code of Practice, an owner of mobile cranes is responsible for putting together the safe system of work, educating all related personnel in safe practices and the assignment of definite, individual safety responsibilities. The owner must plan all phases of the operation involving the crane and it is the responsibility of owner to ensure that the persons who prepare the equipment, erect it, operate it, and work with it are well trained in both safety and operating procedures. And the owner must ensure that all mobile cranes are operated by trained, experienced, competent and qualified crane operator and the persons who direct, rig and handle the loads have received proper training in the principles of the operation, are able to establish weights and judge distances, heights and clearances, are capable of selecting tackle and lifting gear as well as rigging method suitable for the loads to be lifted, and are capable of directing the movement of the crane and load to ensure the safety of all personnel.

The Code of Practice also sets out the responsibilities of the mobile crane operators. Mobile crane operators should ensure at all times the safe operation of the crane under his control. He should follow the correct operation of the crane in accordance with manufacturer’s instructions and within the safe system of work. He should at any one time only respond to the signals from one slinger or signaller who should be clearly identified.

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Failure by any person to observe the Code of Practice shall not of itself cause him to incur any criminal liability but the compliance or contravention of the Code of Practice may be relied by any party in criminal proceedings where the compliance with a provision of the Code of Practice is found by the court to be relevant to any question in the proceedings.

Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations (the “FIU (LALG) Regulations”) (Chapter 59J of the Laws of Hong Kong)

Safety of lifting appliances and lifting gear used at construction sites is mainly regulated by the FIU (LALG) Regulations administered by the Labour Department.

The FIU (LALG) Regulations lay down requirements with respect to the construction, inspection, testing, thorough examination, operation, erection, dismantling and alteration of lifting appliances, including crawler cranes. For instance, the FIU (LALG) Regulations specifically require the owner, among other matters, to ensure that all lifting appliances shall (i) be of good mechanical construction, made of strong and sound materials, free from patent defect; (ii) properly maintained; (iii) the arrangements for fixing and anchoring the appliance are adequate to secure its safety; (iv) it is adequately and securely supported; and (v) every structure supporting it is of good construction and adequate strength, of sound materials and free from patent defect.

Under the FIU (LALG) Regulations, the owner of any crane or lifting appliance shall ensure that it is properly tested and thoroughly examined by a competent examiner prior to use. And the competent examiner shall immediately inform the owner of the lifting appliance if it cannot be used safely unless certain repairs are carried out, and the owner of the lifting appliance shall ensure that the lifting appliance is not used until the repairs have been effected.

In addition to that, pursuant to the FIU (LALG) Regulations, the owner of a crane (except for a crane with a maximum safe working load of one tonne or less or a crane that operates with a grab or any electro magnetic means) shall ensure that it is not used unless it is fitted with an automatic safe load indicator that (i) functions properly; (ii) has been tested by a competent examiner on each occasion that a test and thorough examination of the crane is required under regulation 5 and the competent examiner has given the owner a certificate in the approved form in which he has made a statement to the effect that the automatic safe load indicator is in good working order; and (iii) has been inspected by a competent person and determined to be in safe working order during each inspection of the crane required under regulation 7A and the competent person has given the owner a certificate in the approved form in which he has made a statement to the effect that the automatic safe load indicator is in good working order.

Under the FIU (LALG) Regulations, before a lifting appliance is used at or moved in an industrial undertaking, the owner of the appliance shall take appropriate precautions to ensure its stability. And the owner of a crane shall, for the purpose of securing the stability of the crane, ensure that before use (i) the crane is securely anchored, or adequately weighted by suitable ballast which is properly placed on the structure of the crane and secured in a manner sufficient to prevent the ballast from being accidentally displaced; and (ii) no part of any rail on which the crane is mounted, or any sleeper supporting such rail, is used as an anchorage.

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For the purposes of the FIU (LALG) Regulations, “owner”, in relation to any lifting appliance or lifting gear, includes the lessee or hirer thereof, and any overseer, foreman, agent or person in charge or having the control or management of the lifting appliance or lifting gear, and the contractor who has control over the way any construction work which involves the use of the lifting appliance or lifting gear is carried out and, in the case of a lifting appliance or lifting gear situated on or used in connection with work on a construction site, also includes the contractor responsible for the construction site.

Pursuant to the FIU (LALG) Regulations, the owner shall ensure that the crane can only be operated by a person who (i) has attained the age of 18 years; (ii) holds a valid certificate issued by the Construction Industry Council or any other person specified by the Commissioner for Labour; and (iii) in the opinion of the owner, is competent to operate the crane by virtue of his experience.

Any contraventions by the owners of any crane or lifting appliance of the FIU (LALG) Regulations will attract penalties from a fine of HK\$200,000 to a fine of HK\$200,000 and 12 months imprisonment.

Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (the “NRMM Regulation”)

The NRMM Regulation came into effect on 1 June 2015 to bring non-road mobile machinery (“NRMMs”) under control in line with environmentally advanced countries. NRMMs include a wide range of mobile machines, or vehicles powered by internal combustion engines used primarily off-road, whose emissions can cause environmental pollution and nuisance and have adverse health effects. Unless exempted, NRMMs which are regulated under this provision are required to comply with the emission standards prescribed under the NRMM Regulation. From 1 September 2015, all regulated machines sold or leased for use in Hong Kong must be approved or exempted with a proper label in a prescribed format issued by the Environmental Protection Department. Starting from 1 December 2015, only approved or exempted NRMMs with a proper label are allowed to be used in specified activities and locations including construction sites. However, existing NRMMs which are already in Hong Kong on or before 30 November 2015 will be exempted from complying with the emission requirements. A period of six months (from 1 June 2015 to 30 November 2015, both dates inclusive) is allowed for existing NRMMs to apply for exemption.

Our Group may not lease or sell any Regulated Machines after 1 September 2015 if we fail to obtain approval or exemption under the relevant sections of the NRMM Regulation at the time of the lease or sale transaction.

As at the Latest Practicable Date, our Group has 137 Regulated Machines and we have obtained approval or exemption for all of them. 53 of the Regulated Machines were granted approval and the remaining 84 of them were granted exemption by the EPD under the NRMM Regulation.

Pursuant to a technical circular issued by the Work Branch of the Development Bureau on 8 February 2015 (the “**Technical Circular**”), an implementation plan to phase out the use of exempted NRMMs for four types of exempted NRMMs (namely generators, air compressors, excavators and crawler cranes) has been included in the Technical Circular (the “**Implementation Plan**”), under which, all new capital works contracts of public works including design and build contracts with an estimated contract value exceeding \$200 million and tenders invited on or after 1 June 2015 shall require the contractor to allow no exempted generator and air compressor to be used after 1 June 2015 and the number of exempted excavators and crawler cranes not to exceed 50%, 20% and 0% of the total units of

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exempted NRMMS from 1 June 2015, 1 June 2017 and 1 June 2019 respectively. Notwithstanding the Implementation Plan, exempted NRMMS may still be permitted at the discretion of the respective architect/engineer designated by the government if there is no feasible alternative. In accordance with a Legislative Council Brief issued by the EPD in January 2015 (the “**LC Brief**”), the panel in general supported the Development Bureau to require its construction contractors to progressively increase the use of NRMMS over four years in large-scale public work upon the enactment of the NRMMS Regulation, although the LC Brief did not specify the contract sum of large-scale public work and it is conceded that it would not be practicable to set a mandatory retirement age for NRMMS across the board.

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) providing and maintaining plant and work systems that are, so far as reasonably practicable, safe and without risks to health;
- (b) making arrangement for ensuring, so far as reasonably practicable, 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, instruction, training and supervision to employees as may be necessary to ensure, so far as reasonably practicable, safety and health;
- (d) providing and maintaining the workplace, and safe access to and egress from the workplace that are, so far as reasonably practicable, safe and without risks to health; and
- (e) providing and maintaining work environment that is, so far as reasonably practicable, safe and without risks to health.

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

The Commission for Labour may also issue an improvement notice against non-compliance of 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.

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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.

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

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

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 two years.

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

The Minimum Wage Ordinance establishes a statutory minimum wage regime to provide for a minimum wage at an hourly rate for employees employed under a contract of employment under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), save for stipulated exceptions.

Statutory minimum wage becomes effective on 1 May 2011 and with effect from 1 May 2013, the minimum wage rate is currently set at HK\$30 per hour.

The Minimum Wage Commission must report on any recommended changes in statutory minimum wage at least once in every two years to the Chief Executive in Hong Kong, and the Chief Executive may adjust the statutory minimum wage having regard to such recommendation.

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

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

REGULATORY OVERVIEW

For both employees and employers, it is mandatory to make regular contributions into an 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 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 on or after 1 June 2014).

MACAU LAWS AND REGULATIONS

Other than the Macau Commercial Code and requirement of business registration applicable to companies in Macau, there is no legal regulation requiring construction machinery suppliers in Macau to obtain specific operating licence from the government in order to carry out construction machinery rental and trading activities. Notwithstanding, during the provision of service, including the importation, rental, installation, operation, inspection, maintenance and dismantling of construction machinery such as crawler cranes, construction machine suppliers are required to abide by relevant laws and regulations summarised as follows:

Foreign Trade Law (Law 7/2003)

Law no. 7/2003 sets out the general regime of import and export of goods in Macau. The entry, exit and transit of goods in Macau is free, except for certain products from time to time listed as restricted — the latest list of restricted products was published under Chief Executive's order no. 452/2011 — (the “**Restricted Products**”).

Any company that intends to carry out import/export activities in Macau must be duly registered as an import/export company by the Macau Economic Services Bureau (the “**MES**”). Furthermore, the import/export of Restricted Products requires a specific licence from the relevant industry regulator or the MES. The entry of any goods in Macau must be declared at the port of arrival by the registered entity.

Construction machinery does not generally qualify as a Restricted Product, with the exception of special motor vehicles such as tractors, truck-mounted cranes, concrete mixer trucks and tow trucks, the importation of which requires prior licensing with the MES and the Transports Bureau.

Provisions Governing Rental Agreements (Macau Civil Code, Book II, Part II, Chapter III)

The general provisions governing the lease of movable property in Macau are set forth in the Macau Civil Code (Part II, Book II, Part II, Chapter III). The parties to a lease agreement are free to contractually define the terms and conditions therewith, without prejudice of the applicable Civil Code mandatory provisions. Under Macau law, the term of a lease agreement of movable property is freely defined by the parties with a statutory limit of 30 years.

The lessor of construction machinery remains liable for any charges of the leased machinery (such as taxes, insurance premiums, statutory maintenance obligations, etc.) unless otherwise agreed in writing by contract or transferred to the lessee by means of statute.

REGULATORY OVERVIEW

Health and Safety on Construction Sites Regulation (the “HSCS Regulations”) (Decree-Law 44/91/M)

The HSCS Regulation provides that the contractor of a construction work is responsible for adopting and maintaining all health and safety obligations prescribed therein in respect of the construction site and of the employees carrying out construction work therein. The contractor is also responsible for all construction machinery employed in the construction work while such machinery is located in the construction site. The main contractor is jointly liable for all obligations of a subcontractor prescribed under the HSCS Regulation.

The HSCS Regulation lays down requirements with respect to the construction, inspection, testing, periodic examination, operation, management, erection and alteration of lifting appliances, including crawler cranes. The HSCS Regulation specifically requires the contractor, among other matters, to ensure that all lifting appliances are of good mechanical construction, made of strong and sound materials, free from defects and properly maintained, and that the arrangements for fixing and anchoring the appliance are adequate to secure its safety.

Pursuant to the HSCS Regulation, the contractor must ensure that a crane or other lifting appliance is operated by a person who (i) has attained the age of 18 years; (ii) has sufficient experience and qualifications. The contractor is also obliged to provide adequate training and continuous proper instructions on how to operate all construction machinery being used.

Under the HSCS Regulation the installation of construction machinery shall be monitored, examined and tested by a competent person. A competent person is, for the purpose of the HSCS Regulation, the technical director of the construction project or a person who is appointed by the contractor as specifically responsible for monitoring certain actions on the construction site, provided that such person has the appropriate and required technical training and experience. As a pre-condition for its use, all construction machinery must be subject to daily tests and to regular inspections, the results of which shall be included in a weekly report.

For the purposes of the HSCS Regulation, contractor is defined as the individual or entity that is responsible for the technical and financial coordination and direction of the construction works and of the workers employed therein.

Failure to comply with any of the provisions of the HSCS Regulation constitutes an administrative offence under Decree-Law 67/92/M and the contractor is liable on conviction to a fine of up to MOP15,000.

The MES, the Labour Affairs Bureau, the Environment Protection Bureau and the Land, Public Works and Transport Bureau are the governmental departments responsible for supervising the compliance with the HSCS Regulation.

Employee’s Work Injuries Compensation Ordinance (Decree-Law 40/95/M)

The Employee’s Compensation Ordinance (Decree-Law 40/95/M) establishes a compensation system for work injuries and lays down the rights and obligations of employers and employees in respect of injuries, incapacity or death caused by accidents arising out of and in the course of the employment, or by prescribed occupational diseases.

REGULATORY OVERVIEW

In accordance with the Employee's Compensation Ordinance, employers are required to transfer liability for work related injuries to an insurance company authorised to operate in Macau and provide Employees' Compensation Insurance for all their employees, whether resident or non-resident, assuring them with compensation for loss or injuries resulting from accidents due to employment or occupational diseases. For purposes of this Ordinance, accident means an accident occurring at the place of work and during the working hours from which directly or indirectly result injuries, functional disorder or disease causing the death of the employee or temporary or permanent reduction of his working or earning capacity. The liability to pay compensation for occupational respiratory diseases belongs to the Social Security Fund.

Licences for contract works shall only be granted if the contractor can prove that the liability for accidents occurring to all employees working onsite is legally guaranteed.

An employer who fails to comply with this Ordinance is liable for fines ranging from MOP1,500 to MOP35,000, which are not convertible to imprisonment, without prejudice to any additional civil and criminal responsibility imposed by other legal regulations.

Mandatory Social Security Fund (Law 4/2010)

The Social Security System is comprised of a mandatory contribution system (mandatory for all employees) and a voluntary contribution system (for independent contractors or services providers). Any Macau resident who renders services under the authority and direction of an employer in return for remuneration is considered an employee for purposes of this law.

Both employee and employer are required to make mandatory contributions to the Social Security Fund. Contributions are to be paid quarterly by the employer. The levy is shared unequally between employer and employee. The employer shall pay MOP30 monthly per employee at its service and the employee shall pay MOP15 per month which is to be deducted from the employee's monthly income.

Failure to comply with any of the provisions of the law constitutes an administrative offence and the employer is liable for fines ranging from MOP200 to MOP1,000 per employee.

HISTORY, DEVELOPMENT AND REORGANISATION

GENERAL

Our Company was incorporated in the Cayman Islands on 24 September 2014 and, as part of the Reorganisation, became the holding company of our Group with its business being conducted through our Group's operating subsidiaries principally engaged in rental and trading of construction machinery and transportation services in Hong Kong.

The history of our Group can be traced back to 1962 when Chim Kee was established by Mr. Tang Chim, father of Mr. Tang Kan and grandfather of Mr. James Tang by his own funds as a construction contractor primarily focusing on carrying out civil construction works, foundation works and transportation services. Since then, Chim Kee has gradually built up wide connections in the construction industry. With the increasing market demand of construction machinery rental service, we started to develop our construction machinery rental business in 1997. Mr. James Tang's business insight enabled Chim Kee to spot and seize business opportunities from the 1997 Asian economic crisis, as Chim Kee continued its investment in purchasing construction machinery at the time and started to buy first-hand machinery from Japan with a relatively low price since 2001.

In 2004, Chim Kee Machinery was incorporated as a wholly-owned subsidiary of Chim Kee to carry out construction machinery rental business together with Chim Kee.

Leveraging upon Mr. James Tang's business insight, knowledge, expertise and well-established network in the construction industry, our construction machinery rental business has thrived over the years. Our construction machineries have been utilised by our customers in a number of major civil construction projects as listed in the paragraph headed "Important business milestones" in this section.

Alongside construction machinery rental business, our Group has also steadily developed the business of transportation services over the years through the operation of Chim Kee Transportation, which was incorporated in 1982. Prior to the starting up of the construction machinery rental business, Chim Kee Transportation mainly supported Chim Kee's construction work by engaging in truck transportation services in Hong Kong. Since the establishment of Chim Kee's construction machinery rental business, Chim Kee Transportation has been mainly engaged in transporting our machinery leased by customers.

Since the 1990s, we started to engage in the business of trading used and new construction machinery. Chim Kee Machinery was the authorised distributor and dealer of a Japanese manufacturer of crawler cranes, a European manufacturer of aerial platform and a manufacturer of foundation equipment from Korea. In 2010, we set up K B Machinery to further develop our trading business. The founder of K B Machinery, Mr. James Tang, who holds the interest in K B Machinery on behalf of Mr. Tang Kan, took advantage of his business network to import construction machinery directly from a major Japanese manufacturer of crawler cranes. K B Machinery is engaged in trading of new construction machinery mainly with customers in Hong Kong and it was an authorised distributor and dealer of the major Japanese manufacturer of crawler cranes.

HISTORY, DEVELOPMENT AND REORGANISATION

IMPORTANT BUSINESS MILESTONES

The following events illustrate certain key milestones and achievements in the business development of our Group:

Year	Event
1962	Established Chim Kee
1982	Established Chim Kee Transportation
2004	Established Chim Kee Machinery
2005	Being engaged as an authorised dealer of a major European manufacturer of aerial platforms
2010	Participated in the construction project of Stonecutter Bridge
2010	Established K B Machinery
2011	Participated in the construction project of the Hong Kong-Zhuhai-Macao Bridge
2012	Received merit award at Hong Kong Institute of Landscape Architects (HKILA) Design Award for tree transplanting at Kai Tak development project
2012	Dealership arrangement established for a major Japanese manufacturer of crawler cranes
2013	Participated in the construction project of a major station of the West Island Line
2013	Participated in the construction project of a major highway interchange in Central, Hong Kong
2014	Participated in the construction project of a station in Kowloon for the PRC nationwide high-speed railway system

CORPORATE HISTORY

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

THE COMPANY

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 24 September 2014 with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary Shares of par value HK\$0.01 each. On 23 October 2015, our Shareholders resolved to increase the authorised share capital of our Company from HK\$380,000 to HK\$15,600,000 by the creation of an additional of 1,522,000,000 Shares, each ranking *pari passu* with our Shares then in issue in all respects. Our Company is an investment holding company.

THE SUBSIDIARIES

Chim Kee

Chim Kee was incorporated in Hong Kong with limited liability on 23 February 1962 with an authorised share capital of HK\$200,000 divided into 2,000 shares of HK\$100.00 each and it commenced business in February 1962. Chim Kee was initially established to carry out construction work and has over the years shifted its focus to construction machinery rental business. Upon incorporation, one share was allotted and issued to Mr. Tang Chim at nominal value and 1 share was allotted and issued to Mr. Tang Kan at nominal value. On 2 April 1962, 149 shares, 149 shares and 150 shares were allotted and

HISTORY, DEVELOPMENT AND REORGANISATION

issued to Mr. Tang Chim, Mr. Tang Kan and Ms. Wong Sau, respectively, at nominal value. Upon completion of such allotments, Mr. Tang Chim, Mr. Tang Kan and Ms. Wong Sau each owned one third of the issued share capital of Chim Kee. Mr. Tang Chim was the father of Mr. Tang Kan and was the grandfather of Mr. James Tang.

In 1965, 150 shares of Chim Kee held by the deceased Mr. Tang Chim were transmitted to the Estate of Tang Chim. In 1969, 775 shares and 775 shares were allotted and issued to Mr. Tang Kan and Ms. Wong Sau, respectively, at nominal value. Upon completion of such allotments, Chim Kee was owned as to 46.25%, 46.25% and 7.5% by Mr. Tang Kan, Ms. Wong Sau and the Estate of Mr. Tang Chim respectively.

On 23 March 1973, the authorised share capital of Chim Kee was increased from HK\$200,000 to HK\$2,000,000, divided into 20,000 shares of HK\$100.00 each. On 27 September 1979, 8,000 shares were allotted and issued to Mr. Tang Kan at nominal value. Upon completion of the allotment, Chim Kee was owned as to 89.25%, 9.25% and 1.5% by Mr. Tang Kan, Ms. Wong Sau and the Estate of Mr. Tang Chim.

On 28 November 1983, the Estate of Mr. Tang Chim transferred 140 shares and 10 shares to Mr. Tang Kan and Mr. Tang Wai respectively at nominal value. Upon completion of the above transfers, the shareholding structure of Chim Kee was as follows:

Name of shareholder	No. of shares held	% shareholding
Mr. Tang Kan	9,065	90.65
Ms. Wong Sau	925	9.25
Mr. Tang Wai	10	0.10
	10,000	100.00

In 1984, 925 shares of Chim Kee held by the deceased Ms. Wong Sau were transmitted to the Administrators of the Estate of Ms. Wong Sau. On 30 January 1988, Mr. Tang Kan transferred 10 shares and 10 shares to Ms. Leung Lay Wen Lana and Mr. Tang Yiu Chung Andrew respectively, at nominal value. On 5 September 1989, Mr. Tang Kan transferred 10 shares to Mr. James Tang at nominal value. On 5 October 1990, Mr. Tang Kan transferred 10 shares to Mr. Tang Yiu Wai Stephen at nominal value.

HISTORY, DEVELOPMENT AND REORGANISATION

On 16 December 1992, Mr. Tang Kan transferred 10 shares to Mr. Tang Yiu Keung Paul at nominal value. On 19 August 1993, Mr. Tang Kan further transferred 10 shares and 10 shares to Ms. Tang Tuen Man Victoria and Mr. Tang Yiu Lam Eric respectively at nominal value. On 14 May 2010, Mr. Tang Yiu Chung Andrew transferred 10 shares to Ms. Leung Lay Wen Lana at nominal value. Upon completion of the above transfers and up to immediately before the Reorganisation, the shareholding structure of Chim Kee was as follows:

Name of shareholder	No. of shares held	% shareholding
Mr. Tang Kan	8,995	89.95
The Administrator of the Estate of Ms. Wong Sau	925	9.25
Mr. Tang Wai (<i>deceased</i>)	10	0.10
Ms. Leung Lay Wen Lana	20	0.20
Mr. James Tang	10	0.10
Mr. Tang Yiu Wai Stephen	10	0.10
Ms. Tang Tuen Man Victoria	10	0.10
Mr. Tang Yiu Keung Paul	10	0.10
Mr. Tang Yiu Lam Eric	10	0.10
	<u>10,000</u>	<u>100.00</u>

Chim Kee Transportation

Chim Kee Transportation (formerly known as Way Tak Foong Transportation Company Limited (會德豐運輸有限公司)) was incorporated in Hong Kong with limited liability on 20 November 1979 with an authorised share capital of HK\$2,000,000 divided into 200 shares of HK\$10,000 each and it commenced business in November 1979. Chim Kee Transportation has been mainly engaged in the business of transportation of construction machinery. Upon incorporation, two shares were allotted and issued to Mr. Chen Liang Chun Eric and Chim Kee at nominal value. On 3 December 1979, 59 shares and 59 shares were allotted and issued to the Textile Corporation of Hong Kong Limited and Chim Kee respectively, at nominal value. On 7 January 1980, the Textile Corporation of Hong Kong Limited acquired Mr. Chen Liang Chun Eric's shareholding in Chim Kee Transportation, being a total of one share. On 20 May 1982, the Textile Corporation of Hong Kong Limited transferred all its shares, being a total of 60 shares, to Chim Kee. On the same day, Mr. Tang Kan acquired one share from Chim Kee at nominal value.

Apart from being former shareholders of Chim Kee Transportation, Mr. Chen Liang Chun Eric and the Textile Corporation of Hong Kong Limited are Independent Third Parties to our Group.

After the aforesaid transfers and immediately prior to the Reorganisation, Chim Kee Transportation was held as to approximately 99.17% by Chim Kee and 0.83% by Mr. Tang Kan respectively.

HISTORY, DEVELOPMENT AND REORGANISATION

Chim Kee Machinery

Chim Kee Machinery was incorporated in Hong Kong with limited liability on 2 June 2004 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each and it commenced business in June 2004. Chim Kee Machinery has been mainly engaged in construction machinery rental business. Upon incorporation, Chim Kee Machinery issued one incorporation share to Chim Kee. Since its incorporation, Chim Kee Machinery has been a direct wholly-owned subsidiary of Chim Kee.

K B Machinery

K B Machinery was incorporated in Hong Kong with limited liability on 26 November 2010 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each and it commenced business in November 2010. K B Machinery has been mainly engaged in trading of construction machinery. Upon incorporation of K B Machinery, one incorporation share was issued to Mr. James Tang, who has held the share on behalf of Mr. Tang Kan.

Crawler Krane

Crawler Krane was incorporated in the BVI with limited liability on 30 September 2014 with an authorised share capital of US\$50,000 shares divided into 50,000 shares of US\$1.00 each. Crawler Krane is an investment holding company. On 1 October 2014, 100 fully paid ordinary shares of Crawler Krane, representing the entire issued share capital of Crawler Krane was allotted to our Company and Crawler Krane became a wholly-owned subsidiary of our Company.

Chim Kee Equipment

On 25 November 2014, Chim Kee Equipment was incorporated in Hong Kong with limited liability. Upon incorporation, one share of Chim Kee Equipment was issued and allotted credited as fully paid to Crawler Krane, an investment holding company and a subsidiary of our Company, Chim Kee Equipment's main business is rental and trading of construction machinery.

Hightion

On 15 December 2014, a share transfer agreement was entered into between Chim Kee Equipment and the original owners of Hightion, who, to the best information, knowledge and belief of the Directors having made all reasonable enquiries, are Independent Third Parties. Pursuant to the share transfer agreement, Chim Kee Equipment acquired MOP25,000 share capital of Hightion, being all of the issued share capital of Hightion at a consideration of MOP25,000 and after the acquisition, Hightion became a wholly-owned subsidiary of the Chim Kee Equipment. Hightion was incorporated on 19 September 2014 and it carries out no business activities since its incorporation. We set up the Macau subsidiary by acquiring Hightion for the purpose of capturing potential clients and business opportunities in Macau.

REORGANISATION

In preparation for the Listing, our Group underwent the Reorganisation through the following major steps:

1. Incorporation of Tang J F T

On 18 September 2014, Tang J F T was incorporated in the BVI and is authorised to issue a maximum of 50,000 shares of US\$1.00 each. One ordinary share of Tang J F T, representing the entire issued share capital of Tang J F T, was allotted and issued to Mr. Tang Kan on 18 September 2014.

2. Incorporation of our Company

On 24 September 2014, our Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares with a par value of HK\$0.01 per Share. One Share was allotted and issued to the subscriber to the memorandum and articles of association of our Company on 24 September 2014, and was subsequently transferred to Tang J F T on the same day.

3. Incorporation of Crawler Krane

On 30 September 2014, Crawler Krane was incorporated in the BVI and is authorised to issue a maximum of 50,000 shares of US\$1.00 each. 100 fully paid ordinary shares of Crawler Krane, representing the entire issued share capital of Crawler Krane, were allotted and issued to our Company on 1 October 2014.

4. Incorporation of Chim Kee Equipment

On 25 November 2014, Chim Kee Equipment was incorporated in Hong Kong. One fully paid ordinary share of HK\$1 of Chim Kee Equipment, representing the entire issued share capital of Chim Kee Equipment, was allotted and issued to Crawler Krane on 25 November 2014, and Chim Kee Equipment became the subsidiary of Crawler Krane.

5. Acquisition of Hightion

On 15 December 2014, Chim Kee Equipment acquired all the issued share capital in Hightion, and upon the acquisition, Hightion became a wholly-owned subsidiary of Chim Kee Equipment.

6. Transfer of all the issued shares of K B Machinery to Crawler Krane

On 16 December 2014, Crawler Krane acquired one ordinary share of K B Machinery (representing the entire issued share capital of K B Machinery) from Mr. James Tang at a consideration of HK\$6,386,181. The consideration has been settled by Crawler Krane by cash. After the aforesaid share transfer, K B Machinery became a wholly-owned subsidiary of Crawler Krane.

HISTORY, DEVELOPMENT AND REORGANISATION

7. Transfer of Mr. Tang Kan's shareholding in Chim Kee Transportation to Chim Kee

On 16 December 2014, Chim Kee acquired one ordinary shares of Chim Kee Transportation (representing approximately 0.83% of the issued share capital of Chim Kee Transportation) from Mr. Tang Kan at a consideration of HK\$5,826. The consideration has been settled by Chim Kee in cash. After the aforesaid share transfer, Chim Kee Transportation became a wholly-owned subsidiary of Chim Kee.

8. Transfer of shares of Chim Kee held by the Active Shareholders to Crawler Krane

On 20 October 2015, Crawler Krane acquired 9,990 shares of Chim Kee (representing 99.9% of the issued share capital of Chim Kee) from the Active Shareholders, in consideration of which Tang J F T issued and allotted respectively 9,003^(Note), 20, 10, 10, 10, 10, 10, 926 shares to Mr. Tang Kan, Ms. Leung Lay Wen Lana, Ms. Tang Tuen Man Victoria, Mr. Tang Yiu Wai Stephen, Mr. Tang Yiu Keung Paul, Mr. Tang Yiu Lam Eric, Mr. James Tang and the Administrator of Estate of Wong Sau, all credited as fully paid.

Subject to (i) all the Shareholders passing the necessary shareholders resolutions; and (ii) the Share Offer becoming unconditional and the share premium account of our Company having sufficient balance, our Directors were authorised to, among other things, capitalise the amount of approximately HK\$7,120,000 standing to the credit of the share premium account of our Company by applying such sum in paying up a total at par of 712,000,000 Shares for allotment and issue to the then Shareholders as at 23 October 2015 in proportion to their shareholding in our Company.

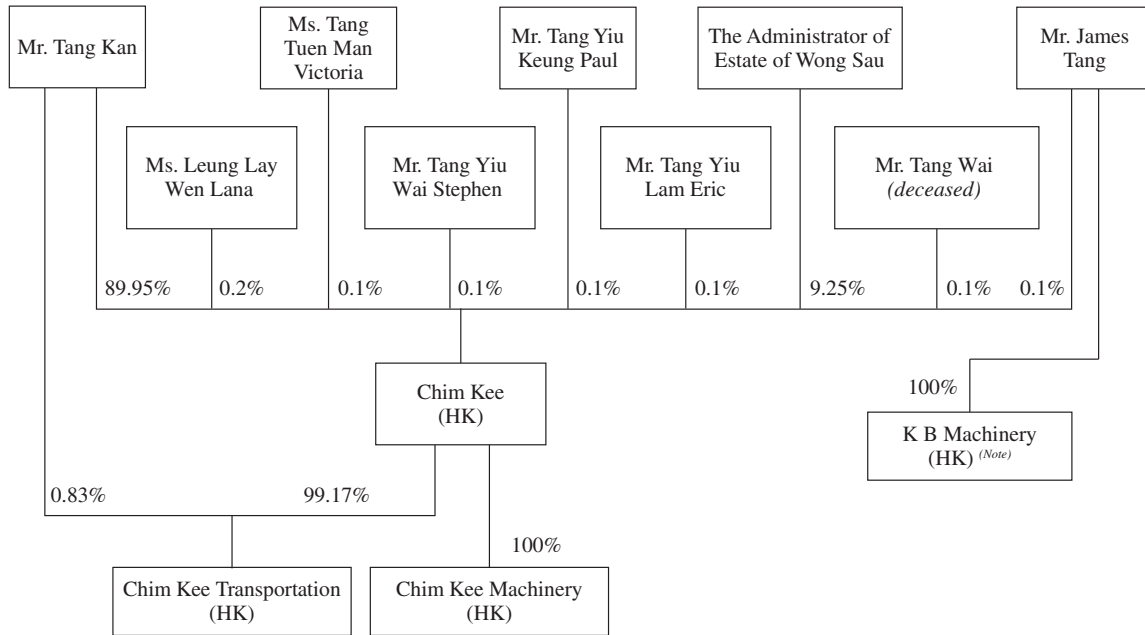
Our Company will offer 25,000,000 Public Offer Shares under the Public Offer for subscription by the public of Hong Kong and 225,000,000 Placing Shares under the Placing comprising 141,744,000 New Shares and 83,256,000 Sale Shares for subscription by professional, institutional and other investors, representing a total of 25% of the enlarged issued share capital of our Company upon Listing.

Note: One share of Tang J F T was allotted and issued to Mr. Tang Kan on 18 September 2014.

HISTORY, DEVELOPMENT AND REORGANISATION

THE CORPORATE STRUCTURE OF OUR GROUP

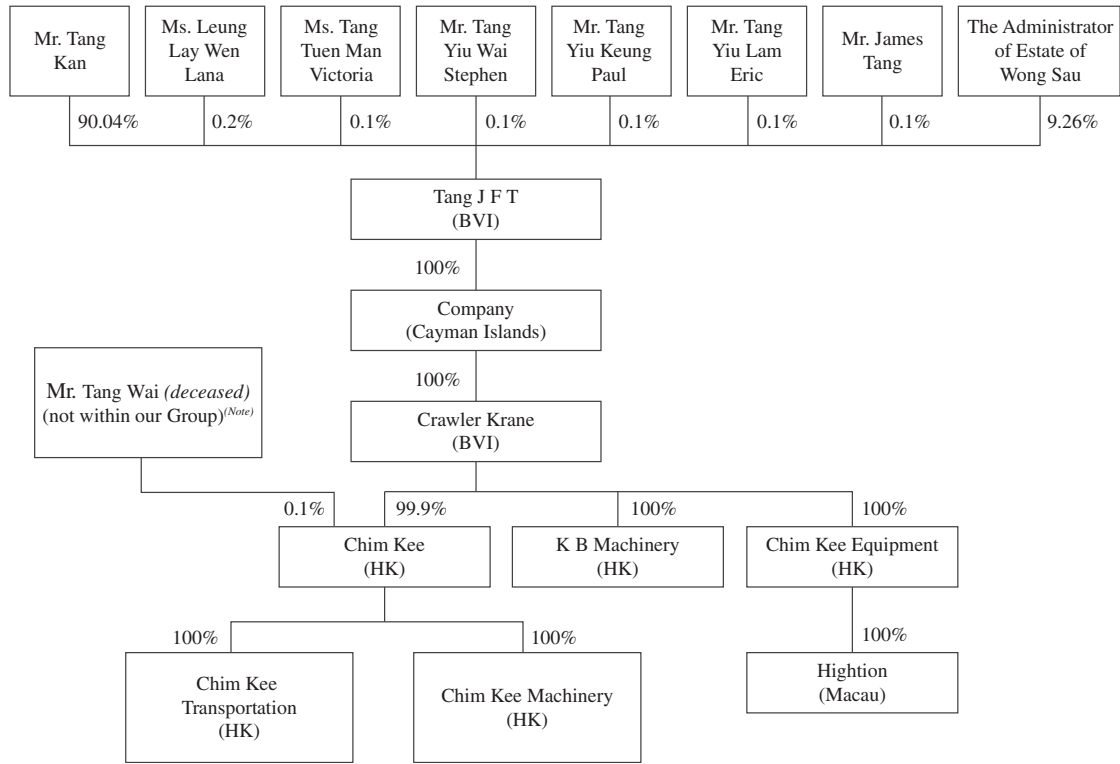
Set out below the corporate structure of our Group immediately before the Reorganisation:



Note: The share was held on trust by Mr. James Tang in favour of Mr. Tang Kan.

HISTORY, DEVELOPMENT AND REORGANISATION

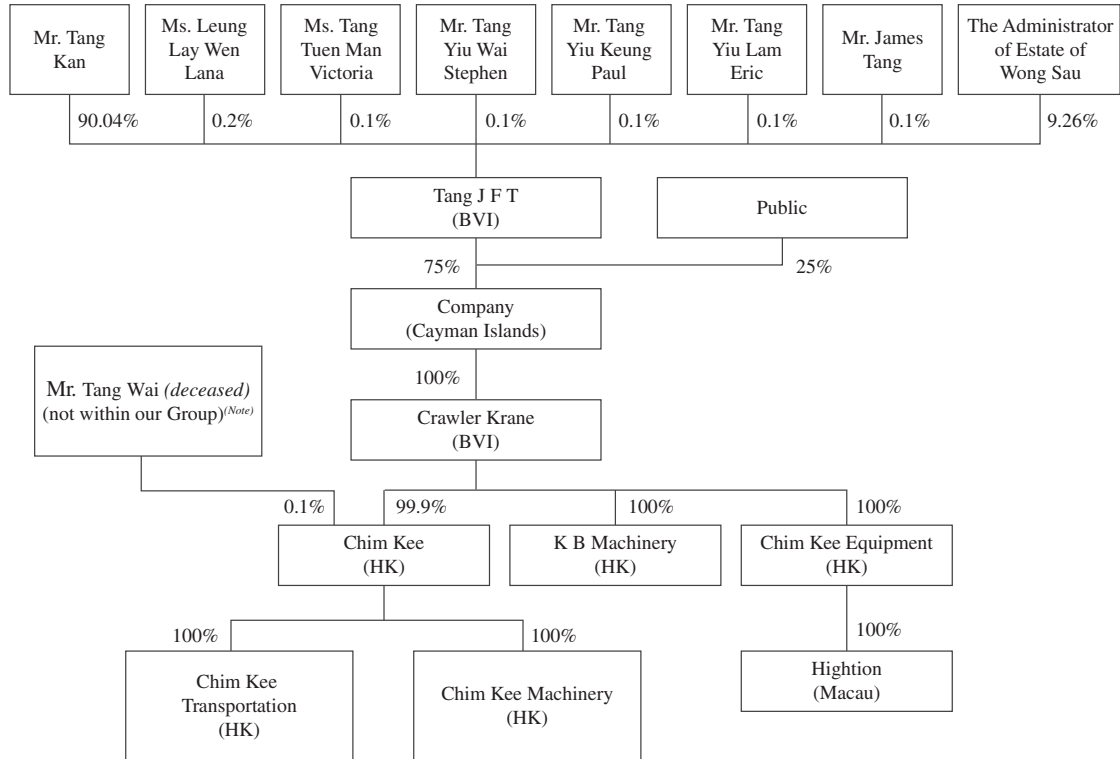
The following diagram sets out the corporate structure of our Group immediately after completion of the Reorganisation but before completion of the Capitalisation Issue and the Share Offer:



Note: Mr. Tang Wai is a family member of the Active Shareholders.

HISTORY, DEVELOPMENT AND REORGANISATION

The following diagram sets out the corporate structure of our Group immediately after completion of the Capitalisation Issue and the Share Offer (assuming none of the Adjustment Options is exercised and without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme):



Note: Mr. Tang Wai is a family member of the Active Shareholders.

OVERVIEW

Our Group is principally engaged in the construction machinery business, serving primarily the construction sector in Hong Kong. We offer a comprehensive range of services including: (i) rental of construction machinery, such as crawler cranes, aerial platforms and foundation equipment; (ii) trading of new or used construction machinery and parts; and (iii) transportation services.

Our Group first began our operations in 1962 engaging as a contractor serving in civil construction works, foundation works and transportation services. In order to capture the booming construction industry and to profit from the construction work projects in Hong Kong in 90's, our Group has operated in rental and trading of construction machinery businesses and further shifted the focus towards rental of construction machinery in 1997 due to the favourable market conditions. We then expanded our business to capture the construction machinery trading market in Hong Kong since 2010 through the setting up of K B machinery in order to further cope with the changing market situation as well as to satisfy different needs of our customers. We currently carry on our business through our major operating subsidiaries in Hong Kong, namely Chim Kee Machinery, K B Machinery and Chim Kee Transportation. During the Track Record Period, we have provided our services to more than 90 customers, which included construction work companies engaged in either public or private construction projects in Hong Kong. We have also provided rental of construction machinery to seven customers for their construction projects located in Macau through one of our operating subsidiaries in Hong Kong. For FY2013, FY2014, FY2015 and the five months ended 31 August 2014 and 2015, the revenue generated from these projects amounted to approximately 1.4%, 2.3%, 4.2%, 6.0% and 2.1% of our revenue, respectively. Such arrangement was made due to the business relationship with some of these customers in Hong Kong and our Directors see business potentials of the Macau market.

According to the IPSOS Report, the construction machinery rental and trading industry is rapidly growing due to a substantial increase in demand for construction works performed by contractors at construction sites in Hong Kong. The total gross output value of construction works, the total investment value in construction projects and the public expenditure on infrastructure in Hong Kong surged significantly from 2009 to 2014. To achieve the objective of promoting economic growth through infrastructural development, the Hong Kong government has been increasing its infrastructure investment over the past few years. Some of the Ten Major Infrastructure Projects have had their details published and tenders released, thereby driving up local construction activities. Apart from the Ten Major Infrastructure Projects, the Hong Kong government has also forged ahead with other works, such as Operation Building Bright and Revitalising Historic Building. In addition, further development of the Hong Kong International Airport, including the construction of the third runway, has been approved.

As stated further in the IPSOS Report, from the perspective of lessees, one of the major benefits of construction machinery rental is effective risk control. Arrangements can be adjusted to the user's unique market conditions, cash flow expectations, equipment needs, and tax situation. Such rental also allows the lessee to defer the risk of losses caused by obsolescence inherent in the purchase of heavy equipment. Furthermore, it frees up the lessee's capital for investment in other ventures that would normally be consumed by the hefty down payment and debt burden usually required by purchase agreements. On the other hand, the recent growth of trading of construction machinery and parts had also been promising because of the launch of the series of infrastructure projects outlined by the Hong Kong government which continued to fuel the market demand. As a result of the promising future and sufficiently high capital, more contractors were willing to buy construction machinery as an investment.

BUSINESS

Regarding our principal business, the rental of construction machinery, we principally offer crawler cranes of different sizes, other mobile cranes, aerial platforms and foundation equipment as our rental fleet. For crawler cranes, the mix in our rental fleet ranges from 2.9-tonne mini crawler cranes to 450-tonne massive crawler cranes. We also carry a range of different types of construction machinery including other mobile cranes, aerial platforms and foundation equipment. We source these construction machineries mainly through the manufacturers of construction machinery located in Germany, France, Japan, Korea and other European countries as well as traders of used construction machinery around the world. Apart from our rental fleet, we also leased certain construction machineries from other construction machinery service providers under which we would then sub-lease to our customers. These sub-leasing arrangements can allow greater flexibility and cost efficiency for wider range of construction machinery to be provided under our rental operations. We provide also extended value-added services primarily comprising maintenance and rental with operators.

We are also engaged in trading of new construction machinery and parts, and used construction machinery. To accommodate different customers' needs, we offer a wide range of construction machinery to customers for sale including crawler cranes with lifting capacity of up to 450 tonnes, aerial platforms and foundation equipment. As at the Latest Practicable Date, we have entered into non-exclusive dealership arrangement with one major Japanese manufacturer of crawler cranes. We also received certifications as authorised dealer for another major Japanese manufacturer of mini crawler cranes, a major European manufacturer of aerial platform and a manufacturer of foundation equipment from Korea. Customers who need to purchase construction machinery from those brands may place order to us. To satisfy customers' need, we also sell spare parts to our customers for their maintenance purpose or upon request.

In addition to rental and trading of construction machinery, we offer transportation services to our customers. Our transportation services include local container delivery, site construction delivery and heavy machinery transport. According to customers' requests, we arrange and provide these services with our range of transportation vehicles and equipment including 38-tonne to 44-tonne heavy load trucks, 8-tonne to 25-tonne crane lorries, 20-feet to 40-feet trailers, and below 38-tonne trucks.

During the Track Record Period, the breakdown of revenue of our overall business operations by business segments is shown as follows:

	For the year ended 31 March						For the five months ended 31 August			
	2013		2014		2015		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Rental of construction machinery	197,335	81.2	196,526	62.0	174,749	47.4	88,000	54.1	47,809	34.1
Trading of construction machinery and parts	40,580	16.7	117,037	37.0	191,425	51.9	73,469	45.1	91,242	65.1
Transportation services	5,033	2.1	3,247	1.0	2,768	0.7	1,230	0.8	1,033	0.8
Total	242,948	100.0	316,810	100.0	368,942	100.0	162,699	100.0	140,084	100.0

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The tables below further set out the breakdowns of revenue of our rental operations by project types and by business sub-segments:

By project types	For the year ended 31 March						For the five months ended 31 August			
	2013		2014		2015		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Building	56,091	28.4	41,975	21.4	76,696	43.9	40,029	45.4	17,731	37.1
Infrastructure	17,113	8.7	17,824	9.1	14,963	8.6	7,103	8.1	6,090	12.7
Transport system ^(Note 1)	114,864	58.2	130,672	66.5	77,256	44.2	37,563	42.7	21,871	45.7
Others	9,267	4.7	6,055	3.0	5,834	3.3	3,305	3.8	2,117	4.5
Total	197,335	100.0	196,526	100.0	174,749	100.0	88,000	100.0	47,809	100.0
Private ^(Note 2)	60,771	30.8	40,734	20.7	62,271	35.6	34,970	39.7	13,503	28.2
Public ^(Note 3)	21,700	11.0	25,120	12.8	35,222	20.2	15,467	17.6	12,435	26.0
Public-related ^(Note 4)	114,864	58.2	130,672	66.5	77,256	44.2	37,563	42.7	21,871	45.8
Total	197,335	100.0	196,526	100.0	174,749	100.0	88,000	100.0	47,809	100.0

By business sub-segments	For the year ended 31 March						For the five months ended 31 August			
	2013		2014		2015		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Rental income from rental fleet	122,010	61.8	129,058	65.7	111,406	63.7	55,897	63.5	32,869	68.8
Rental income from sub-leasing of machinery	66,058	33.5	61,367	31.2	57,432	32.9	28,774	32.7	12,795	26.7
Other service income ^(Note 5)	9,267	4.7	6,101	3.1	5,911	3.4	3,329	3.8	2,145	4.5
Total	197,335	100.0	196,526	100.0	174,749	100.0	88,000	100.0	47,809	100.0

Notes:

1. Transport system includes railway, underground train and highspeed train.
2. Private projects refer to projects of which the main contractors were engaged by property developers and other companies.
3. Public projects refer to projects of which the main contractors were engaged by government departments or other statutory bodies in Hong Kong.
4. Public-related projects refer to projects of which the main contractors were engaged by a rail operating company and were public infrastructure in nature.
5. Other service income mainly derives from maintenance services and provision of operators.

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With a primary focus on rental of construction machinery, we have generated revenue of approximately HK\$197.3 million, HK\$196.5 million and HK\$174.7 million from this business segment, representing approximately 81.2%, 62.0% and 47.4% of the total revenue for FY2013, FY2014 and FY2015, respectively. For the five months ended 31 August 2014 and 2015, construction machinery rental services contributed approximately HK\$88.0 million and HK\$47.8 million, or approximately 54.1% and 34.1% of our total revenue, respectively. Our revenue from construction machinery rental services decreased by approximately HK\$40.2 million, or 45.7%, from approximately HK\$88.0 million for the five months ended 31 August 2014 to approximately HK\$47.8 million for the five months ended 31 August 2015. Such decrease was mainly due to (i) the decrease in number of crawler cranes rented due to the delay in commencement of several public projects and public-related projects (the “**Delayed Projects**”); and (ii) the completion of two substantial private projects in FY2015 which accounted for approximately 44.9% of revenue from private projects for the five months ended 31 August 2014.

The table below sets out the details of the Delayed Projects:

				Expected original delivery date ^(Note 2)	Expected revised delivery date ^(Note 3)	Estimated impact on financial performance for the five months ended 31 August 2015 <i>(million)</i>
	Project type	Specific reason(s) for the delay	Expected total contract sum <i>(million)</i> <i>(Note 1)</i>			
Project A	Public-related (railway)	Archaeological survey and relics preservative and other coordination problems	22.1	July 2015	October 2015	1.1
Project B	Public-related (railway)	Same as above	14.3	July 2015	November 2015	2.2
Project C	Public-related (railway)	Same as above	13.8	July 2015	November 2015	2.2
Project D	Public-related (railway)	Same as above	13.4	July 2015	November 2015	2.2
Project E	Public (building)	Delay in government’s funding	22.1	June 2015	November 2015	5.4
Project F	Public (building)	Same as above	17.4	June 2015	January 2016	4.3
Project G	Public (building)	Technical difficulties and judicial review	5.1	June 2015	December 2015	2.5

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Notes:

1. All main contracts for Project A to Project G between the government/the public transportation company and the relevant main contractors have been signed. In relation to the sub-contracts between our Group and the relevant main contractors/sub-contractors, except for Project A, the relevant sub-contracts are yet to be signed and the respective contract sums are based on estimation by our Group according to the communication with the respective customers and the expected contractual periods throughout the Track Record Period.
2. The original delivery dates are based on estimation by our Group according to the communication with the respective customers and each individual rented machines. For the sake of clarity, only the delivery dates for the rented machines that are expected with delays would be shown.
3. The revised delivery dates are based on estimation by our Group according to the communication with the respective customers and each individual rented machines. For the sake of clarity, only the delivery dates for the rented machines that are expected with delays would be shown.

Due to the Delayed Projects, the estimated impact on financial performance for the five months ended 31 August 2015 was accounted for approximately HK\$19.9 million in total. All of the Delayed Projects were public or public-related projects of our Group that cover major infrastructure and public facilities in Hong Kong including the Shatin to Central Link (the “**SCL**”), Liantang/Heung Yuen Wai Boundary Control Point (the “**LT/HYW BCP**”) and Hong Kong-Zhuhai-Macao Bridge (the “**HKZMB**”). While these projects were generally affected by the funding approval process of the Legislative Council, details of the specific reasons that give rise to these Delayed Projects are summarised below:

- In relation to the SCL (Projects A, B, C and D), the delay could be attributable to the archaeological survey and relics preservation at To Kwa Wan Station in the Taiwai to Hung Hom Section; and the works of the Hong Kong Island section of the SCL were required to have coordination with other infrastructure projects such as Wan Chai Development Phase II and Central-Wan Chai Bypass;
- In relation to the LT/HYW BCP (Projects E and F), its funding application for the construction of BCP buildings and associated facilities had not received support from the Public Works Subcommittee due to the concerns over extraordinary costs incurred and the impact on the transportation system in certain areas; and
- In relation to the HKZMB (Project G), it encountered technical difficulties in construction and occurrence of industrial accidents which led to delay. Besides, the judicial review brought by a citizen had further delayed its obtaining of environmental permits for the construction and operation of its projects.

For further details of these reasons, please refer to the section headed “Industry overview — Challenges to construction machinery rental and trading service industry” in this prospectus. For details of the funding approval process, please refer to the section headed “Financial information — Recent development” in this prospectus.

Apart from the Delayed Projects, our Group has completed two substantial private projects in FY2015 and since these projects have accounted for approximately 44.9% of revenue from private projects for the five months ended 31 August 2014, the revenue was dragged down upon such completion.

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Our Directors are of the view that the impact of the Delayed Projects and the completion of these substantial private projects shall be positively mitigated based on the following factors:

- (i) the government has taken active and positive approach in seeking funding approval of these projects and actual fundings were received for public works projects in the 2014–15 legislative session;
- (ii) despite the delay in commencement of these projects, such delay shall be temporary and considering that these infrastructure and public facilities are important to the overall development in Hong Kong, they would be resumed and would not be terminated or delayed infinitely and therefore the impact of such delay shall also be temporary;
- (iii) considering the recent measure “tendering before funding approval” as adopted by the government, the construction contractors in relation to the Delayed Projects have obtained respective funding approval accordingly as at the Latest Practicable Date and the Delayed Projects shall be resumed in the near future without any major interferences;
- (iv) up to the Latest Practicable Date, our Group has not received any indication from the construction contractors that the Delayed Projects will be aborted, our Directors conclude that our Group will be able to capture the rental income to be generated by the Delayed Projects once those projects commence and therefore it would not cause material adverse impact to our Group’s business operations and financial performance for the long term; and
- (v) according to the IPSOS Report, (a) despite that the delay in funding approval of the government has led to temporary decline in the overall demand for construction machinery rental and trading services in Hong Kong, the competitiveness of our Group remains strong, due to our well-established reputation and solid financial results in FY2013, FY2014 and FY2015; (b) given our unrivalled competitive advantages in the area, it is expected our Group will remain as a preferred service provider once the construction projects receive the funding to start in the future; and (c) the delay of funding approval of the government led to only delay, but not decline nor removal, of demand for construction machinery rental and trading services in Hong Kong in the long term. In addition, in order to strengthen our position as a major rental provider of construction machinery in Hong Kong and to further expand our presence in other potential markets, our Group intends to (a) strengthen our position as a market leader through the expansion and diversification of our construction machinery fleet; (b) strengthen the cooperation with construction machinery manufacturers and other suppliers to meet the needs of the dynamic market environment; (c) increase our operational efficiency and enhance our quality of service; (d) recruit and expand our team of skilled and technical personnel and strengthen staff training; and (e) expand our sales and marketing team. For details, please refer to the section headed “Business — Business strategies and future plans” in this prospectus.

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Despite our primary focus in rental of construction machinery, the revenue generated from trading of construction machinery and parts has been significantly increased from approximately HK\$40.6 million for FY2013 to approximately HK\$117.0 million for FY2014 and HK\$191.4 million for FY2015 which was attributable to the overall increase of demands in the market due to the growing market conditions, as well as the depreciation of Yen which cause the purchase cost of our crawler cranes imported from Japan relatively competitive in the selling price. The revenue generated from this business segment has also been increased from approximately HK\$73.5 million for the five months ended 31 August 2014 to approximately HK\$91.2 million for the same period in 2015. Our Directors believe that both rental and trading segments of our business will continue to grow due to the growing construction industry driving directly and indirectly the need of our customers.

Based on the above, our Directors are of the view and the Sole Sponsor concurs that, as at the Latest Practicable Date, save as the disclosed reasons for the significant deterioration in the financial performance for the five months ended 31 August 2015, our Group remains competitive in the industry and there is no material adverse change in its business prospect and sustainability.

COMPETITIVE STRENGTHS

Our Directors believe that our core competence lies in our relatively long operation history and vast experience in the Hong Kong construction industry as a leading supplier of construction machinery. These competencies enable our Group to capitalise on the growth opportunities in the booming construction industry. Our Directors believe that we have the following competitive strengths:

With over 50 years of experience in the Hong Kong construction industry, we have a well-established market presence.

Our Group was founded in 1962. We first began our operations as a contractor with a primary focus on civil construction works, foundation works and transportation services. Originated as a contractor, we tend to understand the needs of our customers better, as most of our customers are construction companies engaged in both private and public construction projects. In view of the booming construction industry and construction projects in Hong Kong, our management decided to shift our business focus towards the rental of construction machinery since 1997.

Through our Group's more than 50 years of experience within the construction industry, among which, over 18 years of experience in rental of construction machinery, we have a long cooperation history with most of our customers, suppliers and other stakeholders. Our customers include construction works companies engaged for construction works in either public or private projects. Our major customers include well-established global construction companies, and we have a long cooperation history with some of them for over 10 years. In addition, our major suppliers include global construction machinery manufacturers and our Group is able to deal directly with these manufacturers without third party agents. Our major suppliers include some of the major manufacturers of construction machinery from places such as Germany, France, Japan, Korea and other European countries, and we have long cooperation history with most of them for over five years.

In addition, our Group's sales and marketing team led by Mr. James Tang has frequent interactions with our customers regarding their feedbacks on the quality of our products and services. Through this solid channel together with our long experience, we are able to better understand our customers' needs as well as the market trend and make timely improvements to our products and services.

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Our Group's vast experience and well-established presence within the industry enabled us to capture the growth opportunities in the booming construction industry in Hong Kong. During the Track Record Period, our construction machineries have been utilised by our customers in several major civil construction projects, such as the construction of the station in Kowloon for the PRC nationwide high-speed railway system, a major station of the West Island Line, the Hong Kong section of Hong Kong-Zhuhai-Macao Bridge, and a major highway interchange in Central, Hong Kong.

Our rental of construction machinery is flexible and comprehensive.

We have a comprehensive rental fleet of over 200 construction machines during the Track Record Period including crawler cranes and other mobile cranes, aerial platforms and foundation equipment. With such diverse mix of construction machinery in our rental fleet, our Directors believe that we can facilitate our customers in different stages of construction works such as site formation, piling, drainage and structure erection which would require different types of construction machinery depending on the nature of construction works. Apart from our rental fleet, upon request from customers and if our management thinks fit, we source and rent from other construction machinery service providers and enter sub-leasing arrangements with these customers. We also provide advice to our customers which includes advice on the type or model of construction machinery that can meet the customer's objectives and how to best utilise these machineries at construction sites. Accordingly, our Directors therefore believe that our Group can benefit from the economies of scale and is capable of providing various products and services to satisfy our customers' needs in most of their construction works. Considering that construction machinery rental business is specialised, with specific industry and related machinery knowledge required, while there are a number of smaller players who only operate a smaller number of construction machinery, our Directors consider that it may not be very common in the industry to own more than 200 construction machines and equipment of different sizes and types and among which, more than 60 crawler cranes available for rental.

The main focus of our Group's rental fleet is crawler cranes and other mobile cranes. For FY2013, FY2014, FY2015 and the five months ended 31 August 2014 and 2015, the revenue generated from the rental of crawler cranes and other mobile cranes were approximately 44.5%, 37.2%, 24.7%, 27.4% and 19.5% of our total revenue of the respective period. Over the years, we were able to build a comprehensive fleet of crawler cranes that serves our customers' different needs. Our fleet of crawler cranes range from the smaller models with 2.9 tonnes of lifting capacity to the massive models that can lift a payload of up to 450 tonnes. Our Directors believe that we are able to provide a more comprehensive mix of construction machinery to our customers as compared to our competitors. According to the IPSOS Report, there were approximately 73 construction machinery service providers in Hong Kong as of April 2015, among which, 39 of them provided both rental and trading of construction machinery, 18 of them focused on only rental service and 16 of them focused on only trading service. Further, most of these service providers generally focused on two to three types of construction machinery covering a few brands.

With over 100 employees and over 90% of the operations staff with technical background and qualifications, our Group is able to provide extended value-added services such as rental with machinery operators and maintenance services. The operation of crawler cranes requires high levels of skills and qualifications, the supply of licenced crawler crane operators in the market is therefore limited. We normally provide rental with machinery operators whenever we rent out our construction machinery. However, in times of high demand for these operators, we may supply construction machinery without

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operators from our Group. As at the Latest Practicable Date, we employed 87 machinery operators and mechanics. We provide in-house training to these operators and arrange them to attend training from the manufacturers of the construction machinery to ensure the quality of services delivered by the operators. In addition, we provide maintenance service for our rented out construction machinery in a timely manner upon further request from our customers.

In addition to the rental of construction machinery, we also provide trading of construction machinery and parts as well as transportation services.

Our Group offers trading of construction machinery and parts as well as transportation services for construction machinery. In relation to trading of construction machinery and parts, we source from a wide range of suppliers worldwide and are able to offer a diverse mix of both new and used construction machinery as well as various types of spare parts. During the Track Record Period, we have entered into non-exclusive dealership arrangement for a major Japanese manufacturer of crawler cranes and under certifications as authorised dealers for another major Japanese manufacturer of mini crawler cranes, a major European manufacturer of aerial platforms and a manufacturer of foundation equipment from Korea. For used construction machinery, we either source from Independent Third Parties which are construction companies in Hong Kong or from our global network of used construction machinery traders all over the world. We also sell our used construction machinery under our rental fleet directly or by way of finance leases.

In terms of transportation services, our services include local container delivery, site construction delivery and heavy machinery transport. Subject to requests by different customers, we provide these services with our range of transportation equipment including 38-tonne to 44-tonne heavy load trucks, 8-tonne to 25-tonne crane lorries, 20-feet to 40-feet trailers, and below 38-tonne trucks.

Our management team has proven track record and extensive experience in the construction machinery rental and trading business.

We believe that our management team has the relevant industry experience and professional skills to lead our Group through future challenges. Mr. James Tang, the Chairman and an executive Director, has over 20 years of experience in the construction industry and was appointed as the director of Chim Kee in June 1989. He has led our team to source new customers, as well as participation in major construction projects. He assisted our Group to enter dealership agreement with a major Japanese manufacturer of crawler cranes. Mr. Kwok Ho, the Chief Executive Officer and an executive Director, joined our Group as project director in 2014, responsible for overseeing our Group's operation, business development, finance and administration. He has over 20 years of experience in marketing. Many key members of our operations, sales and accounting functions have also been with our Group for more than 10 years and have extensive operational experience in our business.

BUSINESS STRATEGIES AND FUTURE PLANS

Our long term business objective is to follow closely the development of the Hong Kong construction industry with a particular focus on crawler cranes, to strengthen our position as a major rental provider of construction machinery in Hong Kong and to further expand our presence in other potential market.

Strengthening our position as a market leader through the expansion of our construction machinery rental fleet and diversification into other construction machinery markets

We anticipate that the construction industry will continue to grow over the coming years due to the commencement of a large number major construction projects and our Directors believe that the market demand for both construction machinery rental and trading will substantially increase. According to the IPSOS Report, with the execution of the planned Ten Major Infrastructure Projects, there will be substantial opportunities provided to the construction machinery rental industry. With more infrastructure development, increasing demand for construction machinery as well as rental and trading services are anticipated. Despite the substantial increase of demand for construction machinery supply of construction machinery in the market may however fail to meet the strong demand, our Directors therefore believe that with the expansion of our construction machinery rental fleet as well as our industry knowledge, we can further capture the market demand.

Under our rental business, our customers may require different types of construction machinery, in particular, crawler cranes depending on the respective stages of the construction projects they may engage us in, the type of construction projects and their particular needs. While our rental business highly depends on our rental fleet, we believe that the expansion of our rental fleet can enhance the availability and variety of construction machinery to cater for different needs of our customers which might in turn enhance the utilisation rates and rent-out rates of our rental fleet and thus the profitability of our Group. Our Group therefore is planning to expand our rental fleet by purchasing more heavy-weight crawler cranes which require comparatively higher capital investment due to their higher purchase costs.

Besides, while the overall mechanical design of construction machinery remained very similar, the manufacturers of cranes have come up with newer models which generally operate in a more environmental-friendly fashion and quieter than their predecessors. Since the relevant government bodies do take into account environmental considerations when selecting contractors for construction projects, our Directors believe that having a younger fleet will make our Group's portfolio more competitive. In particular, the EPD has developed the QPME System to encourage for the use of QPME Equipment that brings in better construction environment with these quieter and more environmental-friendly construction equipment. As at 31 March 2013, 31 March 2014, 31 March 2015 and 31 August 2015, we had 38, 40, 39 and 40 construction machineries with QPME Labels among our rental fleet, respectively. For details of our construction machineries in relation to the QPME Labels, please refer to the paragraph headed "Our products and services — Rental of construction machinery — Our rental fleet" in this section. With our plan to further purchase more heavy-weight crawler cranes, we expect to replace a series of construction machinery in our rental fleet with newer models to meet the demand in the future. We therefore intend to continue to expand our rental fleet in different capacities and specifications.

For the expansion plan of our rental fleet, our Group intends to purchase six crawler cranes of 90-tonne or above, which will be financed by the net proceeds from the Share Offer which we will receive, during the period up to 31 March 2017. In respect of the heavy-weight crawler cranes, we target to purchase crawler cranes of 90-tonne or above based on the various factors: (i) our Directors believe that 90-tonne is a relatively more popular specification in the industry; (ii) as supported by the historical performance of the construction machinery under our rental fleet, the utilisation rates for the sub-category of crawler cranes and other mobile cranes under "50 to below 110 tonnes" have remained stable during the Track Record Period notwithstanding the slight decrease of utilisation rates among

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other sub-categories; (iii) the industry as a whole is experiencing steady growth which will support our overall rental operation; and (iv) other favourable aspects such as the encouragement of using QPME items will support our purchase of newer and younger models. The table below summarises the number of crawler cranes of 90-tonne or above which we intend to purchase for the expansion of our rental fleet that will be financed by the net proceeds from the Share Offer:

Expected time frame	Number of construction machinery to be purchased
Fourth quarter of 2015	1
First quarter of 2016	1
Second quarter of 2016	1
Third quarter of 2016	1
Fourth quarter of 2016	1
First quarter of 2017	1

During the Track Record Period, our Group recorded stable utilisation rates for our crawler cranes of over 50 tonnes and gross profit margins for FY2013 and FY2014 but experienced a drop in both utilisation rate for our crawler cranes of over 50 tonnes and gross profit margin for FY2015. It was mainly due to the decrease of revenue in our rental business of approximately HK\$21.8 million, representing approximately 11.1% in FY2015 affected by the delay in commencement of some construction projects engaged by our major rental customers. Such decrease was mainly attributable to a decrease in rental income from public-related projects of approximately HK\$53.4 million in FY2015. The drop in rental income also caused our total revenue to decrease from approximately HK\$162.7 million for the five months ended 31 August 2014 to approximately HK\$140.1 million for the five months ended 31 August 2015, represented approximately HK\$22.6 million, or 13.9% decrease in revenue for the relevant period. For detailed analysis of our revenue, please refer to the section headed “Financial information — Period-to-period comparison of results of operations” in this prospectus. Our Directors note that our business is subject to market demand and therefore when considering whether to make expansion, disposal or replacement they will consider the actual market conditions which shall be subject to adjustments from time to time. When formulating the expansion plan of our rental fleet for the two years ending 31 March 2016 and 2017, our Directors have considered and will continue to take into account the following factors in order to minimise the possibilities which may adversely affect our Group’s operational and financial performance, including: (i) monitoring and maintaining of the average age of the construction machinery under our rental fleet; (ii) the enhancement of the quality of construction machinery under our rental fleet by increasing the number of construction machineries with QPME Labels due to the higher utilisation rate of our machineries with QPME Labels in comparison with standard machineries of the same category during the Track Record Period; (iii) the purchase of additional construction machineries will be partially financed by the net proceeds from the Share Offer, which is expected to reduce the derived cost from finance lease; and (iv) monitoring of industry trend and market demand of construction market in order to maintain our rental fleet’s variety and quality to capture market growth and share from time to time. Our Directors will continue to monitor and review our operational and financial performance, our expansion plan of our rental fleet and the capital requirements of our Group from time to time. We will consider to reschedule such expansion according to our operational and financial performances, the preference of our target customers and market

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conditions if necessary. We will also revise the timing and financing arrangement for the purchase of additional and replacement of existing construction machineries if, amongst others, our financial position has been adversely and materially changed.

The total expenditure for the expansion of our rental fleet is estimated to be approximately HK\$96.1 million and will be applied in stages up to 31 March 2017. Our Group plans to finance such expenditure partially by the net proceeds from the Share Offer and partially by finance lease and internal resources. For details, please refer to the section headed “Future plans and use of proceeds” in this prospectus. Our Group has also made replacement and will replace, from time to time, our construction machineries under our ordinary course of business in order to maintain younger fleet with higher qualifications. For details of our replacement plan, please refer to the paragraph headed “Major qualifications and licences” in this section.

Despite the growth in the construction industry in Hong Kong and the significant investment made by our Group in our construction machineries rental fleet during the Track Record Period, our Group had experienced a decreasing trend in both the utilisation rate of our rental fleet and gross profit margin of our business of rental of construction machinery. Nonetheless, in formulating the expansion plan of our rental fleet, we have taken into account the forecasted growing market demands in construction machinery rental industry according to the IPSOS Report and other factors set out above. Our Directors believe that such proposed expansion plan will not impose any material adverse impact on the utilisation rate and net profit margin, instead it can facilitate the expansion of our rental fleet as well as our business operations.

The expected payback period is approximately four years with reference to the 90-tonne crawler cranes held under our rental fleet during the Track Record Period, which our Directors consider to be the most common type of crawler cranes under our rental fleet. The expected payback period is calculated using the average purchase price of these 90-tonne crawler cranes which is then divided by (i) the monthly rental fee in FY2015 and (ii) the historical rent-out rate in FY2015. When calculating the expected payback period, we assume that the monthly rental fee and rent out rate will remain stable.

Strengthening cooperation with manufacturers and other suppliers to meet the needs of the dynamic market environment

During the Track Record Period, we have sourced construction machinery from manufacturers located in Germany, France, Japan, Korea and other European countries. They are perceived as some of the major global manufacturers of the construction machinery market. Our Group has built up cooperation relationship with our suppliers for over 10 years. We will continue to cooperate with these suppliers for the supply of construction machinery. We plan to continue strengthening our cooperation with our suppliers in the future.

In addition, we will also explore the opportunities to work with other suppliers. During the Track Record Period, we have sourced used construction machinery from traders around the world. To expand our rental fleet and to meet the needs of our customers, we will continuously expand our network of suppliers.

Increasing our operational efficiency and enhancing our quality of service

In order to keep our business growing, we plan to improve our operational efficiency and enhance our quality of service by introducing a centralised digital fleet management system. The major work stages of our day-to-day operations such as machine location tracking and maintenance status monitoring, order tracking, invoicing and overall operational management mainly rely on conventional paper intensive means such as the use of separate log-books for each item. We plan to introduce a centralised digital fleet management system that brings automation to all major parts of our daily operations. Our Directors consider that the system shall achieve and incorporate the following aspects: (i) digitalising the fleet management with all machines and equipment under our rental fleet to be recorded and managed by its key information, such as configuration, current locations, rental records, maintenance, repair history, etc.; (ii) linking up with the existing accounting system; (iii) centralising and enabling full real-time information for our internal users including the management and relevant staff; and (iv) automating certain parts of our internal process under our business workflow.

With the introduction of the centralised digital fleet management system, our Directors believe that it can reduce manual interventions and process time in our daily operations, promote more efficient utilisation of our rental fleet, increase the overall operational efficiency and accuracy having linked up with the major parts of the business workflow, and thus save administrative costs in the long term. To get our employees adapt to the usage of such system, we will prepare internal user manual and guidelines, as well as appropriate training materials for the respective internal users by phases depending on the specifications and operations of the system.

The total expenditure for our plan to introduce a centralised digital fleet management system is estimated to be approximately HK\$2.8 million and will be applied in stages up to 31 March 2017. Our Group plans to finance such expenditure by the net proceeds from the Share Offer.

Recruiting and expanding our team of skilled and technical personnel and strengthening staff training

Our Group normally provides machinery operators and maintenance services under our rental arrangements. The operation of cranes requires specialised skills and qualifications, the supply of licenced crawler crane operators in the market is therefore limited. In addition, our rental customers expect us to be able to keep the construction machinery within our rental fleet in good shape and provide maintenance service for our rented out construction machinery in a timely manner, especially in case of emergency. Our success is therefore dependent on our team of skilled construction machinery operators and other operations staff.

In order for our business to grow further, we plan to strengthen and expand our team of skilled and technical operations staff. As at the Latest Practicable Date, we had a total of 51 machinery operators and 36 mechanics. We plan to recruit 12 additional operations staff in order to improve the quality of our service.

We also aim to improve the competence of our employees. Our Group has provided and shall continue to provide in-house training to our skilled and technical operations staff, and arrange for them training from the manufacturers of construction machinery. In addition to our existing training, we plan to arrange training on operations for updated models and centralised digital fleet management system.

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The total expenditure for the recruitment of machinery operators and mechanics is estimated to be approximately HK\$8.9 million and will be applied in stages up to 30 September 2017. Our Group plans to finance such expenditure by the net proceeds from the Share Offer. For details, please refer to the section headed “Future plans and use of proceeds” in this prospectus.

Expanding our sales and marketing team and reinforcing our sales and marketing efforts

With a view to expand our clientele and to enhance awareness of our Group’s brand name within the construction industry, we plan to reinforce our sales and marketing efforts in promoting our brand name and corporate image.

As at the Latest Practicable Date, our sales and marketing team consists of three members who are responsible for establishing our sales and marketing efforts and being the major contact point with our customers. Our sales and marketing team has been maintaining contacts with customers as well as client relationships through previous projects and on-going interactions. We target to continue to advertise our products and services on trade magazines. Our sales and marketing team also attends trade exhibitions for construction machinery and arrange customers’ visit to our Japanese manufacturers of crawler cranes for machinery demonstration and business development.

In order to reinforcing our marketing efforts, we plan to advertise on a greater number of magazines specific to the construction industry and to recruit skilled personnel who are competent in design planning software and are capable in preparing more comprehensive proposals to our prospective rental clients. We estimate the total expenditure for these sales and marketing efforts to be financed by our internal resources.

Expansion into other markets

During the Track Record Period, we provided rental of construction machinery to seven customers for their construction projects in Macau through one of our operating subsidiaries in Hong Kong. From our past experience, we have seen a booming construction market in Macau. Due to the increase in the number of construction projects in Macau, our Directors believe that there is currently a shortage in supply of construction machinery to meet such demand. Due to Macau’s low regulatory barriers for our entrance into the market and the geographical proximity to Hong Kong, being our base of operation, we believe that we can leverage on our existing expertise developed in Hong Kong and obtain economical benefits from the construction market in Macau. We have set up a Macau subsidiary with a view to capture the business opportunities and further expand clientele in that region. These expansion plans are in a preliminary stage which are subject to further review and observation by our sales and marketing team in relation to the construction market in Macau. We may allocate more resources on the market and our subsidiary in Macau in the coming future. Our Directors believe that these plans are to facilitate the growth and development of our Group and as at the Latest Practicable Date, we have no plans to acquire any specific targets.

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OUR PRINCIPAL BUSINESS AND BUSINESS MODEL

The principal businesses of our Group include (i) rental of construction machinery, (ii) trading of construction machinery and parts, and (iii) transportation services.

The table below sets out our revenue by business segments:

	For the year ended 31 March						For the five months ended 31 August			
	2013		2014		2015		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Rental of construction machinery	197,335	81.2	196,526	62.0	174,749	47.4	88,000	54.1	47,809	34.1
Trading of construction machinery and parts	40,580	16.7	117,037	37.0	191,425	51.9	73,469	45.1	91,242	65.1
Transportation services	5,033	2.1	3,247	1.0	2,768	0.7	1,230	0.8	1,033	0.8
Total	242,948	100.0	316,810	100.0	368,942	100.0	162,699	100.0	140,084	100.0

In respect of our business operations, our business model is as follows:

Rental of construction machinery

We offer cranes, aerial platforms and foundation equipment in our construction machinery rental operation. We source these construction machineries mainly through the manufacturers of construction machinery located in Germany, France, Japan, Korea and other European countries as well as used construction machinery from traders located around the world. The main focus of our Group's rental fleet is crawler cranes and other mobile cranes. We carry a comprehensive mix of crawler cranes in our rental fleet ranging from 2.9-tonne mini crawler cranes to 450-tonne massive crawler cranes. In addition to crawler cranes, we carry a range of different construction machinery including other mobile cranes, foundation equipment and aerial platforms. Moreover, we sometimes enter into rental agreements with third party construction machinery service providers and manufacturer to lease certain construction machinery from them and we would then sub-lease the construction machinery to our own customers. Our rental customers are mainly construction works companies engaged in both private and public construction projects. In most cases, we provide operators and maintenance services along with the rental of construction machinery.

Trading of construction machinery and parts

We offer a wide range of construction machinery to customers for sales covering crawler cranes, aerial platforms and foundation equipment to customers. To allow greater flexibility and variety, our products include both new and used construction machinery. For new construction machinery, we source our products from some major manufacturers and other suppliers from Germany, France, Japan, Korea and other European countries. As at the Latest Practicable Date, we have entered into a non-exclusive dealership arrangement for a major Japanese manufacturer of crawler cranes and we also received certifications as authorised dealers for another major Japanese manufacturer of mini crawler cranes, a major European manufacturer of aerial platforms and a manufacturer of foundation equipment from

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Korea. Customers who have the need to purchase construction machinery from those brands would typically trade through us. We order used construction machinery from international traders around the world and local construction contractors. We also sell our used construction machinery under our rental fleet directly or by way of finance leases in Hong Kong to customers with their offices located in Hong Kong, Vietnam, Japan and Macau. Our trading customers are mostly construction companies who wish to reduce the cost in using the construction machinery for their construction work by investing in and purchasing construction machinery for their own use.

In addition, we also offer various construction machinery spare parts for sale to our customers for their maintenance purpose or upon their request. These spare parts cover components, parts, tools and accessories for construction machinery. We source the parts from the same pool of manufacturers for our trading business. We normally place back-to-back order for spare parts to our suppliers when receiving orders from our customers. We maintain some spare parts as inventory for our maintenance services as requested by customers.

Transportation services

For the provision of transportation services, we carry a range of transportation vehicles and equipment in our fleet including 38-tonne to 44-tonne heavy load trucks, 8-tonne to 25-tonne crane lorries, 20-feet to 40-feet trailers, and below 38-tonne trucks. We provide our services primarily to construction work companies which would require logistic support. Our services include local container delivery, site construction delivery and transport of heavy machinery. According to the customers' needs and the services required, we will arrange appropriate vehicles and deliver the respective construction machinery to the designated place.

OUR PRODUCTS AND SERVICES

Rental of construction machinery

We generate revenue from our rental operation through three business sub-segments: (i) rental income from rental fleet, (ii) rental income from sub-leasing of construction machinery, and (iii) other service income from our maintenance services and rental with operators. For FY2013, FY2014, FY2015 and the five months ended 31 August 2014 and 2015, we derived revenue from our rental fleet of approximately HK\$122.0 million, HK\$129.1 million, HK\$111.4 million, HK\$55.9 million and HK\$32.9 million, respectively, representing approximately 61.8%, 65.7%, 63.7%, 63.5% and 68.8% of the total revenue from our rental operations, respectively.

As at 31 August 2015, we had 53 subsisting rental agreements, among which, 52 of them were stated with rental period of minimum one month and were subject to renewal each month (for these 52 rental agreements, the minimum outstanding rental period as from 31 August 2015 ranged from three to 14 days, based on the termination clause in each rental agreement) and the remaining one was with fixed rental period of nine months. The minimum rent receivables of these rental agreements were approximately HK\$2.4 million.

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Our rental fleet

During the Track Record Period, we have maintained over 200 construction machines in our rental fleet. The construction machinery we carry as part of our rental fleet includes crawler cranes and other mobile cranes, aerial platforms and foundation equipment. However, in view of the revenue driven, the main focus of our rental business is crawler cranes and other mobile cranes. During the Track Record Period, details of construction machinery carried by us available for our rental operations are summarised as follows:

(a) Number in fleet, number rented out and rent-out rates

	2013			As at 31 March 2014			2015			As at 31 August 2015		
	Number in fleet <i>(Note 1)</i>	Rented out	Rent-out rate <i>(Note 5)</i>	Number in fleet <i>(Note 2)</i>	Rented out	Rent-out rate <i>(Note 5)</i>	Number in fleet <i>(Note 3)</i>	Rented out	Rent-out rate <i>(Note 5)</i>	Number in fleet <i>(Note 4)</i>	Rented out	Rent-out rate <i>(Note 5)</i>
Crawler cranes and other mobile cranes												
— below 50 tonnes	25	11	44.0%	21	9	42.9%	28	13	46.4%	25	12	48.0%
— 50 to below 110 tonnes	28	22	78.6%	26	21	80.8%	32	13	40.6%	29	15	51.7%
— 110 to below 400 tonnes	14	14	100.0%	19	14	73.7%	17	9	52.9%	17	12	70.6%
— 400 tonnes or above	3	2	66.7%	3	2	66.7%	3	1	33.3%	3	0	0.0%
Sub-total/Overall	70	49	70.0%	69	46	66.7%	80	36	45.0%	74	39	52.7%
Aerial platforms	77	10	13.0%	74	21	28.4%	78	21	26.9%	77	12	15.6%
Foundation equipment	79	24	30.4%	81	22	27.2%	77	12	15.6%	49	8	16.3%
Total/Overall	226	83	36.7%	224	89	39.7%	235	69	29.4%	200	59	29.5%

Notes:

1. Our Group purchased 35 and sold 42 construction machines during the period from 1 April 2012 to 31 March 2013.
2. Our Group purchased 13 and sold 15 construction machines during the period from 1 April 2013 to 31 March 2014.
3. Our Group purchased 29 and sold 17 construction machines during the period from 1 April 2014 to 31 March 2015.
4. Our Group purchased 3 and sold 38 construction machines during the period from 1 April 2015 to 31 August 2015.
5. Calculation of rent-out rate is based on the number of construction machines that were rented out on 31 March 2013, 2014, 2015 and 31 August 2015 which is then divided by the total number of construction machines in our rental fleet on the respective date.

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(b) Utilisation rates

	For the year ended 31 March						For the five months ended 31 August 2015	
	2013		2014		2015		2015	
	Number in fleet (Note 1)	Utilisation rate (Note 2)	Number in fleet (Note 1)	Utilisation rate (Note 2)	Number in fleet (Note 1)	Utilisation rate (Note 2)	Number in fleet (Note 1)	Utilisation rate (Note 2)
Crawler cranes and other mobile cranes								
— below 50 tonnes	28	68.8%	26	54.7%	31	48.4%	28	46.0%
— 50 to below 110 tonnes	29	82.1%	28	78.5%	35	60.0%	33	49.6%
— 110 to below 400 tonnes	14	91.6%	19	81.3%	20	56.7%	17	57.3%
— 400 tonnes or above	3	66.7%	3	97.2%	3	54.9%	3	16.1%
Sub-total/Overall	74	78.2%	76	71.8%	89	55.0%	81	48.8%
Aerial platforms	113	35.4%	81	17.7%	79	31.5%	78	17.4%
Foundation equipment	81	33.6%	82	28.3%	85	22.6%	79	14.1%
Total/Overall	268	46.7%	239	38.5%	253	36.8%	238	27.0%

Notes:

1. Calculation of number in fleet for the year ended 31 March 2013, 2014, 2015 and the five months ended 31 August 2015 is based on the total number of construction machines which have been included in our rental fleet during the year/period.
2. Calculation of utilisation rate for the year ended 31 March 2013, 2014 and 2015 is based on the number of days that the construction machines were rented out during the respective period which is then divided by 365 days less the estimated number of days for repair and maintenance (i.e. 30 days). Calculation of utilisation rate for the five months ended 31 August 2015 is based on the number of days that the construction machines were rented out during the respective period which is then divided by 153 days less the estimated number of days for repair and maintenance (i.e. 12.5 days). The figure for 30 days/12.5 days is estimated for calculation and illustration purpose with reference to past experience of our Group. The utilisation rates serve as a presentation which may not have immediate and direct linkage with our Group's profits. Apart from the number in fleet, our Group's profits are also affected by various factors including the changes in fixed and variable costs and rental fees received from customers in each construction machine.

(c) Average age and remaining useful life

	2013		As at 31 March 2014		2015		As at 31 August 2015	
	Average age (year) (Note 1)	Remaining useful life (year) (Note 2)	Average age (year) (Note 1)	Remaining useful life (year) (Note 2)	Average age (year) (Note 1)	Remaining useful life (year) (Note 2)	Average age (year) (Note 1)	Remaining useful life (year) (Note 2)
	Crawler cranes and other mobile cranes							
— below 50 tonnes	3.98	6.02	4.83	5.17	3.92	6.08	4.06	5.94
— 50 to below 110 tonnes	4.51	5.49	5.12	4.88	5.44	4.56	5.41	4.59
— 110 to below 400 tonnes	4.54	5.46	4.76	5.24	5.26	4.74	5.68	4.32
— 400 tonnes or above	1.94	8.06	2.94	7.06	3.94	6.06	4.36	5.64
Overall	4.21	5.79	4.84	5.16	4.82	5.18	4.98	5.02
Aerial platforms	3.30	6.70	4.08	5.92	4.83	5.17	5.30	4.70
Foundation equipment	6.08	3.92	6.84	3.16	7.26	2.74	6.21	3.79

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Notes:

1. Calculation of average age is based on the average number of years operated in respect of each type of construction machines, i.e. from the date of acquisition to the year end date of each accounting period.
2. Calculation of remaining useful life is based on the useful life of the construction machines (i.e. 10 years) deducted by the average age.

(d) Breakeven analysis for the rental of construction machinery

The table below sets out the details of the cost of sales and services rendered for the rental of construction machinery with breakdown by fixed and variable costs during the Track Record Period:

	For the year ended 31 March						For the five months ended 31 August	
	2013		2014		2015		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Fixed cost	80,195	59.5	88,778	63.4	88,603	62.2	31,811	69.1
Variable cost	<u>54,588</u>	<u>40.5</u>	<u>51,344</u>	<u>36.6</u>	<u>53,804</u>	<u>37.8</u>	<u>14,206</u>	<u>30.9</u>
Total cost of sales for rental of construction machinery	<u><u>134,783</u></u>	<u><u>100</u></u>	<u><u>140,122</u></u>	<u><u>100</u></u>	<u><u>142,407</u></u>	<u><u>100</u></u>	<u><u>46,017</u></u>	<u><u>100</u></u>

During the Track Record Period, the fixed costs for the construction machinery rental business include depreciation expense, insurance, and salary costs; while the variable costs for the construction machinery rental business include sub-leasing expenses, repair and maintenance, fuel and oil and removal fee and truck cost.

For illustration purpose, the table below sets out the breakeven utilisation rates of our rental fleet during the Track Record Period:

	For the year ended 31 March			For the five months ended
	2013			31 August
	2013	2014	2015	2015
Breakeven utilisation rate of the rental fleet (%) (<i>Notes</i>)	26.2%	23.5%	27.0%	25.7%

Notes:

1. The breakeven utilisation rate of each period of the Track Record Period is calculated based on the actual utilisation rate, revenue, fixed cost and variable cost of the respective period with the following formula:

$$\text{Breakeven utilisation rate} = \text{Actual utilisation rate} \times \frac{\text{Fixed cost}}{(\text{Revenue} - \text{Variable cost})}$$

2. At the breakeven utilisation rate, the gross profit of rental of construction machinery of the respective period would be zero.

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The calculation of the breakeven utilisation rate is based on the following assumptions:

1. The revenue and variable cost of the respective period were positively correlated with the utilisation rate of the corresponding period;
2. The same utilisation rate was applied to all of our construction machineries in the rental fleet of the respective period; and
3. The proportion of fixed cost and variable cost was the same across all construction machineries in the respective period.

As reflected from the above tables, we experienced variations of rent-out rates and utilisation rates and steady breakeven utilisation rates during the Track Record Period. In particular, the overall rent-out rates and utilisation rates for crawler cranes and other mobile cranes slightly decreased during the Track Record Period. In view of the decrease in overall utilisation rates over each respective period of the Track Record Period, our Group's net profit has however increased from approximately HK\$33.1 million for FY2013 to approximately HK\$39.3 million for FY2014 and decreased to approximately HK\$24.4 million for FY2015. Our net profit for the five months ended 31 August 2015 was approximately HK\$3.7 million, representing a decrease of approximately 80.7% as compared with the corresponding figure of approximately HK\$19.2 million for the five months ended 31 August 2014. For FY2014 as compared to FY2013, such increase in net profit was attributable to the rental fees received from certain crawler cranes and other mobile cranes although the decrease in their respective utilisation rates was due to varies of the rental fees among the rental fleet in particular the rental fees for crawler cranes were generally higher than those of aerial platforms and foundation equipment. For FY2015 as compared to FY2014, such decrease of net profits was attributable to the increase of Listing expenses of approximately HK\$8.4 million and the decrease in revenue from construction machinery rental business by approximately HK\$21.8 million, or 11.1%, which the utilisation rates may have driven to such decrease indirectly with their overall drop. For the five months ended 31 August 2015 as compared to the same period in 2014, such decrease of net profits was attributable to the decrease in revenue from construction machinery rental business by approximately HK\$40.2 million, or 45.7%, which the utilisation rates may also have indirect impact given their overall drop. The utilisation rates serve as a presentation which may not have immediate and direct linkage with our Group's profits. The utilisation rates, when taking into consideration also the pricing as well as the fixed and variable costs involved, shall facilitate meaningful analysis on our Group's profits. Our Directors further consider that shall the rental fees and fixed and variable costs be held constant and remain the same for every single machine in our Group's rental fleet, the change of utilisation rates will then have direct linkage with and impact on both the revenue and profits from our rental business. Our Directors also believe that the major reason is that the historical performance of construction machinery under our rental fleet is subject to market needs from time to time while our rental operation in general is affected by the construction machinery rental service industry as a whole.

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The construction machinery being kept in our warehouses or being in use by our customers would be subject to normal wear and tear such as damages caused to air filter and oil filter due to rubbing over a period of time. We provide repair and maintenance to the construction machinery for normal wear and tear by our own staff or other third party service companies. The manufacturers of new construction machinery under our rental fleet usually provide us with warranty covering for a period of around 12 or 18 months.

We adopt a straight-line depreciation policy on our rental fleet for 10 years, which our Directors believe is in line with industry norm. Similar to other property, plant and equipment, we determine the useful life and residual value of the construction machinery based on various factors, such as expected usage of the asset and expected physical wear and tear as well as the experience of our Group with similar assets. For details of the relevant accounting policies and estimates, please refer to the section headed “Financial information — Critical accounting policies and estimates — Property, plant and equipment” in this prospectus.

Despite that the useful life for the construction machineries in general is considered to be 10 years pursuant to the accounting policy, it serves as a referencing figure having considered the industry norm and regulatory environment relating to our business operations. Construction machineries if fall within the relevant regulatory regime are required to obtain relevant certifications before performing their tasks at construction sites and there is currently no restrictions imposed by the relevant regulatory regime in Hong Kong to prohibit the use of construction machineries with certain ages.

Regarding the possible impact of Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (the “**NRMM Regulation**”) together with a technical circular issued by the Work Branch of the Development Bureau on 8 February 2015 (the “**Technical Circular**”), as at the Latest Practicable Date, we have obtained approval or exemption for all our machines that are subject to the NRMM Regulation (the “**Regulated Machines**”) in accordance with the relevant requirements and as an illustration purpose, such public work contracts as mentioned in the Technical Circular, shall the Technical Circular be applicable, accounted for only approximately 7.3%, 7.2%, 7.3% and 5.5% of our Group’s total revenue for FY2013, FY2014, FY2015 and the five months ended 31 August 2015, respectively. For details of the NRMM Regulation and the Technical Circular and the potential risks associated, please refer to the sections headed “Regulatory overview — Hong Kong laws and regulations” and “Risk factors — Risks relating to our business” in this prospectus. According to the LC Brief, the NRMM Regulation has no economic implications as it should have very little impact on the cost of acquiring non-road mobile machinery (the “**NRMMs**”) that have obtained approval or exemption. To the best knowledge of our Directors and upon their reasonable enquiry, in general, it is not expected to have any material price difference in respect of the costs of the NRMMs with similar specifications, but with different emission standards, whether approved or exempted, despite the launch of the NRMM Regulation. As our Group will continue to purchase new machines which are approved NRMMs in replacement and expansion plans, our Directors consider that there will be no material impact to our Group’s financial position. Our Directors therefore believe that the impact shall be remote and minimal and therefore there shall not be any adjustment to the estimated useful lives and no indication of any impairment loss. Our Directors consider that the existing accounting policy over depreciation and impairment loss adopted by our Group is fair and reasonable and in line with the applicable accounting standard as well as the industry norm. For details of the relevant laws and regulations in Hong Kong and Macau, please refer to the section headed “Regulatory overview” in this prospectus.

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Considering the average age and remaining useful lives of the construction machinery under our rental fleet, we were able to maintain relatively young rental fleet during the Track Record Period. Besides, we have not encountered any situations where we failed to obtain the relevant certifications under the relevant regulatory regime. Our Directors therefore consider that we are not subject to any material risks of physical or technical obsolescence. Please refer to the paragraphs headed “Major qualifications and licences” and “Quality control” in this section for details.

In respect of the leasing capacity over the construction machinery, given there is no strict definition for leasing capacity, we believe that the normal leasing capacity of a construction machine will be subject to the number of days for repair and maintenance which would be 30 days for FY2013, FY2014, FY2015 and 12.5 days for the five months ended 31 August 2015 as reflected in our calculation of the utilisation rates. The leasing capacity also depends on other factors including the estimated and remaining useful lives, the actual condition of the construction machine, the disposal of the construction machinery driven by market needs, and the fulfilment of the relevant regulatory regime. We therefore maintain stable combination of our rental fleet among different categories of construction machineries and we review our rental fleet regularly for the expansion and disposal of respective construction machines as may be necessary. We thus consider making replacement of existing construction machinery only when it is necessary.

With the implementation of the QPME System, our Group has been obtaining the QPME Labels since 2007 for the applicable construction machines that fall within the category of QPME Equipment. During the Track Record Period, details of construction machinery carried by us with and without QPME Labels under the QPME System are further summarised as follows:

(a) Number in fleet ^(Note), number rented out and rent-out rates

	2013			As at 31 March 2014			2015			As at 31 August 2015		
	Number in fleet	Rented out	Rent-out rate	Number in fleet	Rented out	Rent-out rate	Number in fleet	Rented out	Rent-out rate	Number in fleet	Rented out	Rent-out rate
With QPME Labels												
Crawler cranes and other mobile cranes												
— below 50 tonnes	0	0	N/A	0	0	N/A	0	0	N/A	0	0	N/A
— 50 to below 110 tonnes	13	13	100.0%	15	14	93.3%	15	6	40.0%	16	9	56.3%
— 110 to below 400 tonnes	8	8	100.0%	8	7	87.5%	7	5	71.4%	7	7	100.0%
— 400 tonnes or above	0	0	N/A	0	0	N/A	0	0	N/A	0	0	N/A
Sub-total	21	21	100.0%	23	21	91.3%	22	11	50.0%	23	16	69.6%
Aerial platforms	0	0	N/A	0	0	N/A	0	0	N/A	0	0	N/A
Foundation equipment	17	11	64.7%	17	6	35.3%	17	5	29.4%	17	4	23.5%
Total	38	32	84.2%	40	27	67.5%	39	16	41.0%	40	20	50.0%
Without QPME Labels												
Crawler cranes and other mobile cranes												
— below 50 tonnes	25	11	44.0%	21	9	42.9%	28	13	46.4%	25	12	48.0%
— 50 to below 110 tonnes	15	9	60.0%	11	7	63.6%	17	7	41.2%	13	6	46.2%
— 110 to below 400 tonnes	6	6	100.0%	11	7	63.6%	10	4	40.0%	10	5	50.0%
— 400 tonnes or above	3	2	66.7%	3	2	66.7%	3	1	33.3%	3	0	0.0%
Sub-total	49	28	57.1%	46	25	54.3%	58	25	43.1%	51	23	45.1%
Aerial platforms	0	0	N/A	0	0	N/A	0	0	N/A	0	0	N/A
Foundation equipment	13	5	38.5%	13	3	23.1%	11	2	18.2%	6	1	16.7%
Total	62	33	53.2%	59	28	47.5%	69	27	39.1%	57	24	42.1%

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Note: As at 31 March 2013, 31 March 2014, 31 March 2015 and 31 August 2015, among the total of 226, 224, 235 and 200 construction machineries carried by us, 126, 125, 127 and 103 construction machineries were not applicable to the QPME System, respectively.

(b) Utilisation rates

	For the year ended 31 March						For the five months ended 31 August	
	2013		2014		2015		2015	
	Number in fleet (Note 1)	Utilisation rate (Note 2)	Number in fleet (Note 1)	Utilisation rate (Note 2)	Number in fleet (Note 1)	Utilisation rate (Note 2)	Number in fleet (Note 1)	Utilisation rate (Note 2)
With QPME Labels								
Crawler cranes and other mobile cranes								
— below 50 tonnes	0	N/A	0	N/A	0	N/A	0	N/A
— 50 to below 110 tonnes	13	95.6%	15	88.6%	16	72.6%	16	51.9%
— 110 to below 400 tonnes	8	98.4%	8	88.7%	10	62.4%	7	78.7%
— 400 tonnes or above	0	N/A	0	N/A	0	N/A	0	N/A
Sub-total	21	96.6%	23	88.6%	26	68.7%	23	60.1%
Aerial platforms	0	N/A	0	N/A	0	N/A	0	N/A
Foundation equipment	17	55.6%	17	56.6%	17	35.3%	17	30.3%
Total	38	78.3%	40	75.0%	43	55.5%	40	47.4%
Without QPME Labels								
Crawler cranes and other mobile cranes								
— below 50 tonnes	28	68.8%	26	54.7%	31	48.4%	28	46.0%
— 50 to below 110 tonnes	16	71.2%	13	66.8%	19	49.4%	17	47.5%
— 110 to below 400 tonnes	6	82.5%	11	75.8%	10	50.9%	10	42.2%
— 400 tonnes or above	3	66.7%	3	97.2%	3	54.9%	3	16.1%
Sub-total	53	70.9%	53	64.5%	63	49.4%	58	44.3%
Aerial platforms	0	N/A	0	N/A	0	N/A	0	N/A
Foundation equipment	13	36.9%	13	23.9%	13	22.0%	11	9.1%
Total	66	64.2%	66	56.5%	76	44.7%	69	38.7%

Notes:

- For FY2013, FY2014, FY2015 and the five months ended 31 August 2015, among the total of 268, 239, 253 and 238 construction machineries carried by us, 164, 133, 134 and 129 construction machineries were not applicable to the QPME System, respectively.
- Calculation of utilisation rate for the year ended 31 March 2013, 2014 and 2015 is based on the number of days that the construction machines were rented out during the respective period which is then divided by 365 days less the estimated number of days for repair and maintenance (i.e. 30 days). Calculation of utilisation rate for the five months ended 31 August 2015 is based on the number of days that the construction machines were rented out during the respective period which is then divided by 153 days less the estimated number of days for repair and maintenance (i.e. 12.5 days). The figure for 30 days/12.5 days is estimated for calculation and illustration purpose with reference to past experience of our Group. The utilisation rates serve as a presentation which may not have immediate and direct linkage with our Group's profits. Apart from the number in fleet, our Group's profits are also affected by various factors including the changes in fixed and variable costs and rental fees received from customers in each construction machine.

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As illustrated above, some of our construction machines did not obtain the QPME Labels and a number of them did not fall within the category of QPME Equipment as designated by the QPME System and therefore were inapplicable to the QPME System. By obtaining these QPME Labels, our Group were able to take its own initiative for improving the overall construction noise environment which benefited the environment of Hong Kong. For construction machines with no QPME Labels, our Directors consider that there will be no material impacts to our Group's business operations given that such system serves as an encouraging but not regulatory regime and we have not encountered any particular difficulties in renting out the construction machines with no QPME Labels.

(i) Crawler cranes and other mobile cranes



Our mobile cranes consist of mainly crawler cranes and other wheeled mobile cranes. Crawler cranes are mobile cranes that are mounted on an undercarriage with a set of tracks also known as crawlers which provide stability and mobility for the crane. Their main advantage is that they can move around on construction sites or unpaved grounds, and since they are stable on its tracks without the use of outriggers, crawler cranes can perform each lift with little set-up. In addition, they are capable of travelling with a payload attached. Our customers in the construction industry use crawler cranes during various different stages of their construction projects. As at the Latest Practicable Date, we carried 72 crawler cranes of different lifting capacities ranging from 2.9 tonnes to 450 tonnes.

Wheeled mobile cranes are mobile cranes on wheels instead of tracks and designed with the necessary equipment to travel on public roads and on rough terrain at the job sites using all-wheel and crab steering. Due to the fact that wheeled mobile cranes are not mounted on tracks, outriggers are required to stabilise the crane during lifting operations. As at the Latest Practicable Date, we carried one wheeled mobile cranes with 50 tonnes of lifting capacity.

For FY2013, FY2014, FY2015 and the five months ended 31 August 2014 and 2015, the revenue generated from the rental of crawler cranes and other mobile cranes were approximately 44.5%, 37.2%, 24.7%, 27.4% and 19.5% of our total revenue, respectively.

(ii) Aerial platforms



An aerial platform is a mechanical device that provides temporary access for personnel or equipment to inaccessible areas at heights. As at the Latest Practicable Date, we carried 77 aerial platforms of different height capacity ranging from 7.6 to 45 metres. For FY2013, FY2014, FY2015 and the five months ended 31 August 2014 and 2015, the revenue generated from the rental of aerial platforms amounted to approximately 2.1%, 1.1%, 1.5%, 1.4% and 1.0% of our total revenue, respectively.

(iii) Foundation equipment



We carry a range of foundation equipment including RCD machines, chisels, various types of oscillators, electric and hydraulic hammers, vibrators, drill accessories, generators and air compressors. They are primarily used at the early stages of construction projects such as site formation. As at the Latest Practicable Date, we carried a total of 45 foundation equipment. For FY2013, FY2014, FY2015 and the five months ended 31 August 2014 and 2015, the revenue generated from the rental of foundation equipment amounted to approximately 3.7%, 2.9%, 4.0%, 5.5% and 2.8% of our total revenue, respectively.

For our rental operations, we maintain and expand our rental fleet by sourcing new or used construction machinery from manufacturers located in Germany, France, Japan, Korea and other European countries. When considering the expansion of our rental fleet, we take into account the foreseeable demand for machines of different specifications and functions. Construction machineries such as crawler cranes typically have longer useful life if properly maintained. We monitor the condition of our construction machinery and renew our rental fleet on a regular basis.

Occasionally, we dispose some of our construction machinery in the rental fleet by selling to our customers taking into account the market demand, customers' requests, number and size of construction project development and internal review of our rental fleet to be considered by our sales and marketing team from time to time. The revenue generated from the sales of our rental fleet would be recorded

BUSINESS

under our trading operations. During the Track Record Period, we have granted a six-month option in two rental agreements to our customer to purchase the respective construction machinery within designated period under which the rental payments in such period can settle part of the purchase cost of the construction machinery if the option is exercised. As at Latest Practicable Date, such options were exercised by the customers.

Sub-leasing arrangements

Apart from our rental fleet, we also obtain machineries from third party construction machinery service providers and a construction machinery manufacturer by entering into rental agreements with them. We would then sub-lease such machineries to our own customers. For FY2013, FY2014, FY2015 and the five months ended 31 August 2014 and 2015, our total sub-leasing costs amounted to approximately HK\$39.5 million, HK\$33.0 million, HK\$38.2 million, HK\$19.8 million and HK\$8.9 million, respectively, representing approximately 29.3%, 23.6%, 26.8%, 30.8% and 19.4% of the total costs of our rental operations for the respective periods. For the same period, we derived revenue from our sub-leasing of machinery of approximately HK\$66.1 million, HK\$61.4 million, HK\$57.4 million, HK\$28.8 million and HK\$12.8 million, respectively, representing approximately 33.5%, 31.2%, 32.9%, 32.7% and 26.7% of the total revenue from our rental operations, respectively. Apart from adopting different financing means to expand our rental fleet, we also assist our customers to source particular type or model of construction machinery which may not be available in our rental fleet by entering rental agreements with some third party construction machinery service providers and further sub-leasing to them. These sub-leasing arrangements can supplement to our rental fleet which allows greater flexibility, helps maintain our relationship with customers by satisfying their requests and keeps track of the market trends through communications with customers as well as other construction machinery service providers. It is also considered as more cost efficient as the purchase of construction machinery requires significant capital investment and some financing means may incur additional finance costs.

Apart from the third party construction machinery service providers, we have entered into rental agreements with one manufacturer (the “**Manufacturer**”) for the rental of six construction machineries. These rental agreements are with minimum rental period of 12 months containing options to purchase and we have exercised three of these options. Due to the long lead time of delivery for construction machinery and greater flexibility allowed under these rental agreements, we enter such rental agreements with the Manufacturer based on the forecasted demand of certain construction machinery by our management and we then sub-lease to our customers. The sub-leasing expenses in relation to the manufacturer were approximately HK\$9.0 million, HK\$10.1 million, HK\$13.2 million, HK\$6.2 million and HK\$2.9 million, for FY2013, FY2014, FY2015 and the five months ended 31 August 2014 and 2015, respectively, representing approximately 22.8%, 30.6%, 34.6%, 31.3% and 32.7% of the total sub-leasing expenses for the respective periods. Our Directors confirm that our Group generally enters into sub-leasing arrangements based on actual demand (i.e. after receipt of customer order) with the exception of the sub-leasing arrangement with the Manufacturer.

Our Directors believe that, by entering into these sub-leasing arrangements, our Group can benefit from greater flexibility and cost efficiency. For details of these third party construction machineries provider, please refer to the paragraph headed “Suppliers” in this section.

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Value-added services

Our Group also provides extended value-added services such as rental with machinery operators and maintenance services. We normally provide rental with machinery operators whenever we rent out our construction machinery. As at the Latest Practicable Date, we employed 51 machinery operators. We provide in-house training to these operators and arrange them to attend training from the manufacturers of the construction machinery to ensure the quality of services delivered by the operators. In addition, we provide maintenance service for our rented construction machinery in a timely manner upon further request from our customers. For FY2013, FY2014, FY2015 and the five months ended 31 August 2014 and 2015, we derived revenue from our other services of approximately HK\$9.3 million, HK\$6.1 million, HK\$5.9 million, HK\$3.3 million and HK\$2.1 million, respectively, representing approximately 4.7%, 3.1%, 3.4%, 3.8% and 4.5% of the total revenue from our rental operations, respectively.

Trading of construction machinery and parts

During the Track Record Period, the number of construction machinery and spare parts sold by us and their respective revenue generated are shown below:

	For the year ended 31 March						For the five months ended 31 August	
	2013		2014		2015		2015	
	<i>Number</i>	<i>HK\$'000</i>	<i>Number</i>	<i>HK\$'000</i>	<i>Number</i>	<i>HK\$'000</i>	<i>Number</i>	<i>HK\$'000</i>
Crawler cranes	8	26,379	23	107,272	33	171,851	25	88,583
Aerial platforms	39	10,133	9	3,207	1	430	6	1,006
Foundation equipment	3	2,300	2	3,850	11	16,936	30	599
Spare parts ^(Note)	—	1,768	—	2,708	—	2,208	—	1,054
Total	50	40,580	34	117,037	45	191,425	61	91,242

Note: The number of spare parts sold are not feasible to be quantified due to their relative immateriality.

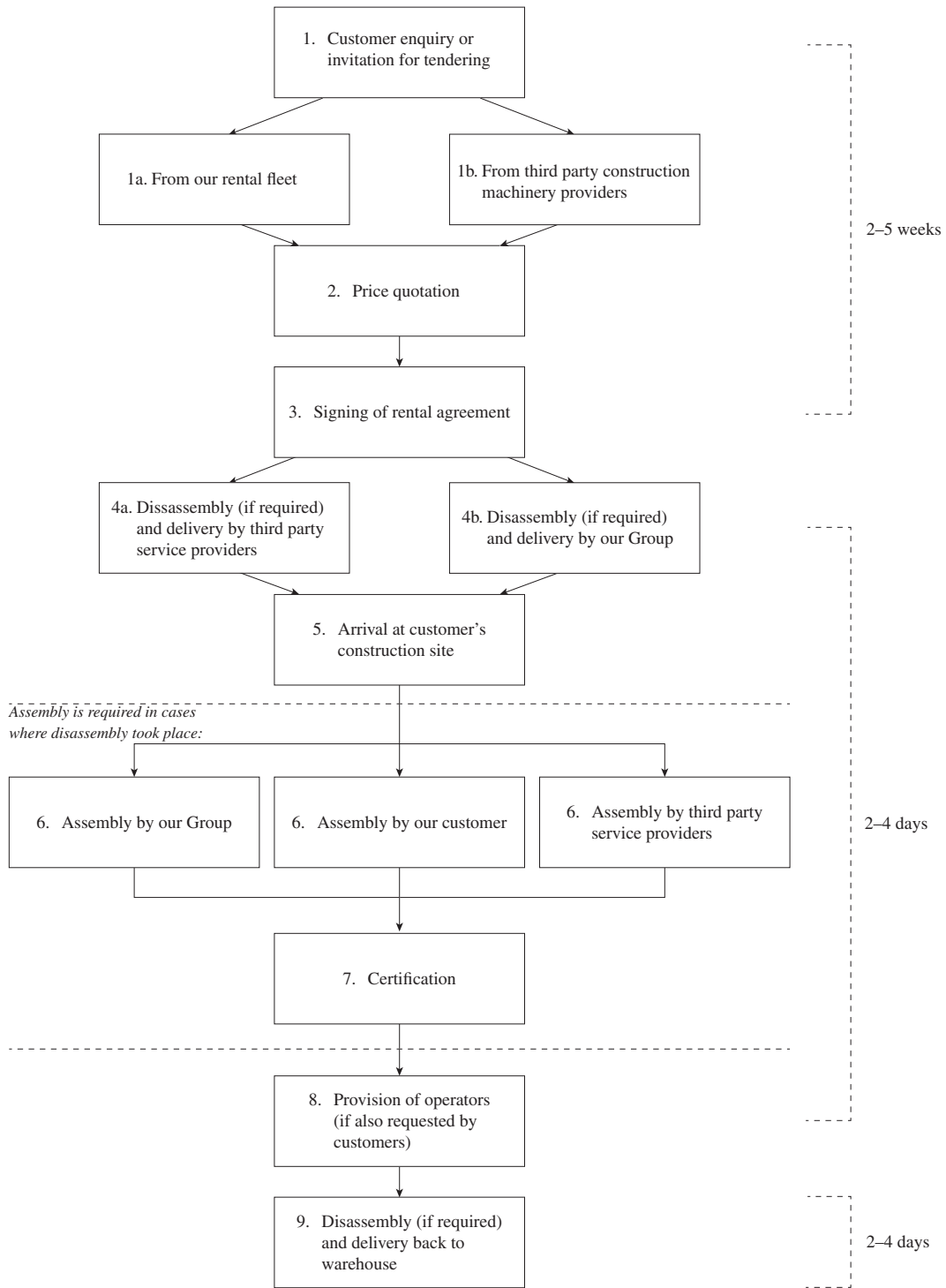
As at the Latest Practicable Date, we have entered into non-exclusive dealership arrangement with one major Japanese manufacturer of crawler cranes, and we were also awarded as authorised dealers for another major Japanese manufacturer of mini crawler cranes, a major European manufacturer of aerial platforms and a manufacturer of foundation equipment from Korea. We order construction machineries from these suppliers as well as other manufacturers of construction machineries.

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PROJECT WORKFLOW

Rental of construction machinery

The following flow chart depicts the major activities of our rental operations:



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1. Customer enquiry or invitation for tendering

Our sales and marketing team maintains regular contact with our existing customers. Throughout the major stages of a construction project, our Group would be approached by potential customers for quotation of the rental price of our construction machinery.

Our Group would also send our quotations of the rental price in situations where we received invitation for tendering from our prospective customers. These customers would specify in the invitation for tendering the exact type and specification of the construction machinery they require and provide a tender form for us to fill in. The tender form would normally stipulate items such as (i) the name of management contract, (ii) type or specification of the machine to be provided, and (iii) terms and condition regarding the provision of other services such as maintenance and certification.

In addition, we may also advise our customers on the type of construction machinery that can meet the customer's objectives and how to utilise these construction machinery at their construction sites.

Occasionally, there may not be enough number of a specific type of construction machinery in our rental fleet to fulfil our customers' need. In this case, we may enter into rental agreements with third party construction machinery service providers and manufacturer to rent the specific type of construction machinery from them and we would then sub-lease the construction machinery to our own customers.

2. Price quotation

We set our rental fees according to various factors such as (i) the purchase cost of the construction machinery; (ii) total number of construction machinery of the same or similar specifications in the Hong Kong market; (iii) length of the rental period; (iv) working condition of the site; and (v) competition from other service providers. For sub-leasing arrangements, our Group also takes into account the cost associated with entering into the respective sub-leasing arrangement when determining the rental fee for our customers. Our Directors believe that a long rental period would cause us to suffer from increasing labour cost. Our Company also take into account the ground condition of the customers' sites in determining the suitable rental price because the extent of foreseeable wear and tear on the construction machinery principally depends on the ground conditions. We therefore take into account in our quotations foreseeable extra maintenance costs caused by operations in adverse ground conditions.

For invitations for tendering, once we have calculated the tender price with reference to our pricing policy, our sales and marketing team would fill in the tender form provided by the customer and submit it to the customer.

3. Signing of rental agreement

If the customer agrees with the quotation approved by our sales and marketing team, we would enter into a rental agreement with the customer. For more details, please refer to the paragraph headed "Principal terms of our rental agreements" in this section.

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4. *Disassembly (if required) and delivery by either our Group or third party service providers*

Certain types of construction machinery such as crawler cranes and foundation equipment need to be disassembled in order to be transported. After the construction machines are disassembled, our Group may either provide transportation services using our own team or engage third party service providers to deliver heavy construction machinery to our customers. The construction machinery are normally delivered directly to our customers' construction sites instead of their warehouses.

For sub-leasing arrangements, we would also arrange delivery of the construction machinery directly from the third party construction machinery service providers and manufacturer to our customers.

5. *Arrival at customer's construction site*

Upon delivery, customers would handle the rented construction machinery for own use subject to the rental agreement.

6. *Assembly by either our Group, our customers or by third party service providers*

In cases where disassembly is required for a particular type of construction machinery, assembly will then be required before operation and the assembly process is either conducted by (i) our staff, (ii) our customers or (iii) third party service providers. The third party service providers are companies that provide transportation, assembly and maintenance of heavy construction machinery services. We select the service providers based on their experience, our past history of cooperation and their price quotations as compared to those of other similar service providers.

7. *Certification*

Due to stringent safety regulations in Hong Kong which would be applicable to the operation of construction machinery, we provide certification for our customers following the safety measures as required by the relevant safety regulations for all of our construction machinery regardless of their age. For example, maintenance works such as refill of coolants, checks on engine hydraulic pressure, engine revolutions per minute, and tightness of bolts, nuts and screws, oil change and lubrication of moving components are carried out on a regular basis. In our warehouses, all rented construction machinery would be inspected by our mechanics and/or supervisors or a third party consultant as the case appropriate prior to and after delivery.

Upon arrival to the customer's construction sites, the rented construction machinery would be certified by Registered Professional Engineers either engaged by us or the customer depending on the respective engagements with us. Certain construction machinery, such as crawler cranes, must be certified every time after reassembly before they can be used at construction sites. The certification processes at construction sites are conducted by the Registered Professional Engineers and the process normally consists of eye inspection and test lift. When the Registered Professional Engineers complete the inspection, they will fill in the relevant certification forms.

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8. *Provision of operators (if also requested by customers)*

In most circumstances, our customers would also require the services of our operators to operate our construction machinery at customers' construction sites. Usually it would be included in our standard rental agreement which includes a provision for the arrangements of rental with operators to our customers and the operators remain employees of our Group. Occasionally when the demand for operators is high, our Group supplies operators to customers who are not our on-going rental customers.

The operation of our construction machinery requires a substantial amount of diesel which would be arranged by and at the costs of either our customer or the site management at the construction site.

9. *Disassembly (if required) and delivery back to our Group's warehouse*

At the end of the rental period, the construction machinery will be inspected, disassembled and transferred back to our designated location. The process is simply the reverse of steps 4 to 6 above. If during the inspection we found the construction machinery be damaged, we would charge the customer the cost of replacement parts plus the labour cost for replacement. Items required to be replaced would be specified in the invoices we issue to customers for subsequent payments.

Trading of construction machinery and parts

For FY2013, FY2014 and FY2015, trading of construction machinery and parts contributed to approximately HK\$40.6 million, HK\$117.0 million and HK\$191.4 million, or approximately 16.7%, 37.0% and 51.9% of our total revenue, respectively. For the five months ended 31 August 2014 and 2015, trading of construction machinery and parts contributed to approximately HK\$73.5 million and HK\$91.2 million, or approximately 45.1% and 65.1% of our total revenue, respectively. Details of our trading of new construction machinery and parts and used construction machinery are as follows:

Trading of new construction machinery

	For the year ended 31 March			For the five months ended 31 August	
	2013	2014	2015	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Revenue	26,380	106,737	148,479	45,184	78,685
Cost of construction machinery	<u>(24,283)</u>	<u>(95,157)</u>	<u>(132,146)</u>	<u>(42,199)</u>	<u>(66,691)</u>
Gross Profit	2,097	11,580	16,333	2,985	11,994
Gross profit margin	7.9%	10.8%	11.0%	6.6%	15.2%
Number of construction machinery sold	8	19	28	9	23
Average price per machinery	3,297	5,618	5,303	5,020	3,421

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Trading of used construction machinery

	For the year ended 31 March			For the five months ended 31 August	
	2013	2014	2015	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Revenue	12,432	7,592	40,737	27,107	11,503
Cost of construction machinery	<u>(7,856)</u>	<u>(4,975)</u>	<u>(27,131)</u>	<u>(16,561)</u>	<u>(6,177)</u>
Gross Profit	4,576	2,617	13,606	10,546	5,326
Gross profit margin	36.8%	34.5%	33.4%	38.9%	46.3%
Number of construction machinery sold	42	15	17	13	38
Average price per machinery	296	506	2,396	2,085	303

Trading of spare parts (Note)

	For the year ended 31 March			For the five months ended 31 August	
	2013	2014	2015	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Revenue	1,769	2,708	2,208	1,177	1,054
Cost of spare parts	<u>(1,400)</u>	<u>(1,790)</u>	<u>(1,678)</u>	<u>(904)</u>	<u>(580)</u>
Gross Profit	369	918	530	273	474
Gross profit margin	20.9%	33.9%	24.0%	23.2%	45.0%

Note: Spare parts are not countable in nature given its relative immateriality.

During the Track Record Period and up to the Latest Practicable Date, we sourced new construction machines for our clients from manufacturers and other suppliers of construction machinery located in Germany, France, Japan, Korea and other European countries. We have entered into dealership arrangement with a major Japanese manufacturer of crawler cranes (the “**Japanese Manufacturer**”). In addition, we have also been awarded formal certifications as authorised dealers of another major Japanese manufacturer of mini crawler cranes, one major European manufacturer of aerial platforms and a manufacturer of foundation equipment from Korea. The major terms of the dealership agreement in effective with the Japanese Manufacturer, which was our largest supplier during the Track Record Period, are set out below:

- *Right:* non-exclusive right to purchase and sell crawler cranes and spare parts supplied by the Japanese Manufacturer
- *Authorised territories:* Hong Kong and Macau
- *Term:* from 1 April 2014 to 31 March 2016

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- *Major renewal provision:* upon expiry, the parties may agree in writing to extend for 12 months
- *Major termination provision:* either party may terminate this agreement by giving 90-day written notice
- *Terms of sales and prices of products:* we obtain a written quotation from the Japanese Manufacturer every time prior to order confirmation to the Japanese Manufacturer
- *Minimum purchase requirement:* optional for draft sales plan to be formulated and agreed between the parties
- *Applicable law:* the laws of Japan

As we normally do not carry any new construction machinery in our inventory, we order construction machinery directly from the manufacturers upon order from our customers. For details of our inventory management, please refer to the paragraph headed “Inventory and cost management” in this section.

For trading of used construction machinery, we order used construction machinery from traders around the world and local construction contractors. We also sell our used construction machinery under our rental fleet directly or by way of finance leases.

For trading of spare parts, when our customers place orders with us, we would check if the item required is available in our inventory or place back-to-back orders accordingly to our suppliers. We will then arrange delivery of the spare parts from our warehouses.

Similar to our rental operations, we derived most of our revenue from the trading of crawler cranes and other mobile cranes under the trading operations. The table below sets out the number sold and respective revenue by types of products under new and used construction machinery, respectively:

New construction machinery

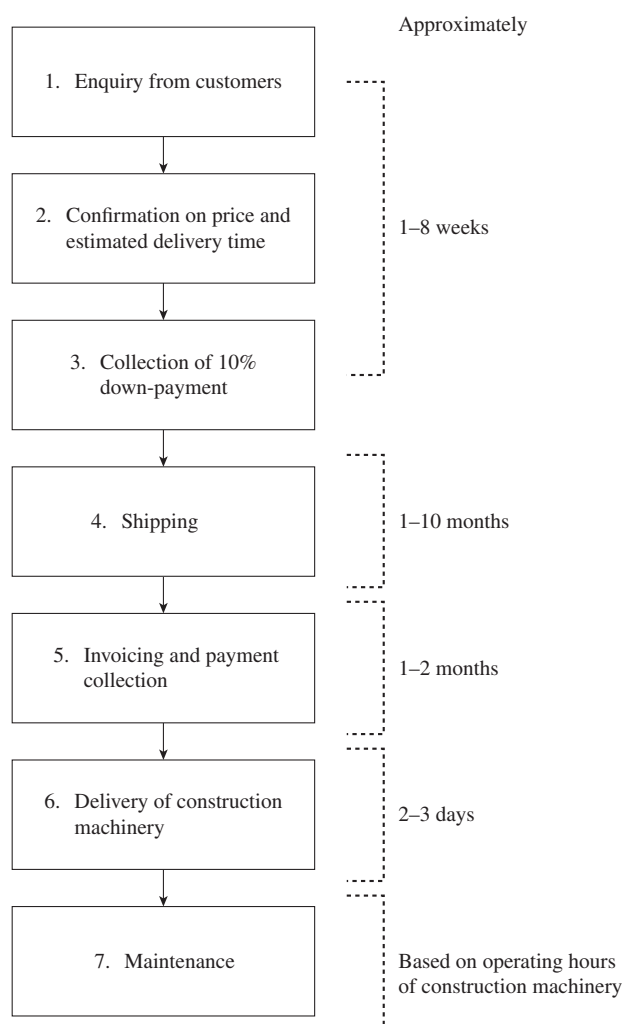
	For the year ended 31 March						For the five months ended 31 August			
	2013		2014		2015		2014		2015	
	Number of new construction machinery sold	Revenue HK\$'000	Number of new construction machinery sold	Revenue HK\$'000	Number of new construction machinery sold	Revenue HK\$'000	Number of new construction machinery sold	Revenue HK\$'000	Number of new construction machinery sold	Revenue HK\$'000
Crawler cranes and other mobile cranes										
— below 50 tonnes	—	—	1	1,700	—	—	—	—	—	—
— 50 to below 110 tonnes	4	22,968	9	43,787	15	61,866	4	17,388	15	55,979
— 110 to below 400 tonnes	—	—	6	55,891	9	73,537	2	18,620	3	22,161
— 400 tonnes or above	—	—	—	—	—	—	—	—	—	—
Aerial platforms	4	3,412	2	2,459	—	—	—	—	5	545
Foundation equipment	—	—	1	2,900	4	13,076	3	9,176	—	—
Total	8	26,380	19	106,737	28	148,479	9	45,184	23	78,685

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Used construction machinery

	For the year ended 31 March						For the five months ended 31 August			
	2013		2014		2015		2014		2015	
	Number of used construction machinery sold	Revenue HK\$'000	Number of used construction machinery sold	Revenue HK\$'000	Number of used construction machinery sold	Revenue HK\$'000	Number of used construction machinery sold	Revenue HK\$'000	Number of used construction machinery sold	Revenue HK\$'000
Crawler cranes and other mobile cranes										
— below 50 tonnes	3	1,712	5	2,004	3	409	3	409	3	164
— 50 to below 110 tonnes	1	1,700	2	3,890	3	13,190	1	5,870	4	10,280
— 110 to below 400 tonnes	—	—	—	—	3	22,848	2	16,968	—	—
— 400 tonnes or above	—	—	—	—	—	—	—	—	—	—
Aerial platforms	35	6,720	7	748	1	430	—	—	1	460
Foundation equipment	3	2,300	1	950	7	3,860	7	3,860	30	599
Total	42	12,432	15	7,592	17	40,737	13	27,107	38	11,503

The following flow-chart depicts the major activities of our general trading operations (covering both new and used construction machinery not sold under our rental fleet):



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1. Enquiry from customers

Our sales and marketing team maintains regular contact with the key players of the construction industry to stay up to date with the prevailing trends in the market. When our customers require construction machinery of a particular specification, they would approach our sales and marketing team. As we do not carry any new construction machinery in our inventory, we order machinery directly from the manufacturers upon request and order from our customers for a particular machine of a particular brand as may be specified.

For trading of used construction machinery, we order used construction machinery from traders around the world and local construction contractors. We also sell our used construction machinery under our rental fleet directly or by way of finance leases.

2. Confirmation on price and delivery time

The price of our crawler cranes and other types of construction machinery would depend on various major factors including the cost, the supply and demand of similar products in the market, and the lead time of delivery for our merchandise. Since these factors are dynamic and tends to fluctuates regularly, we rely on our sales and marketing team to closely monitor the trend and changes of the market. We ascertain supply and demand through regular communications between our sales and marketing team and our customers.

3. Collection of 10% down-payment

For trading of new construction machinery, we normally collect a down-payment of 10% of the total purchase price of the machine. Our Directors believe that a 10% down payment is in line with market practice and is sufficient to secure customer commitments. Part of the down payment is applied on the payment of deposits (if any) requested by the manufacturers or other suppliers when we place orders with the manufacturers. For trading of used construction machinery, we may require our customers to pay the purchase price in full without dividing the purchase price into instalments.

4. Shipping

Purchases of new construction machinery usually have a long lead time for delivery. It could range from one to 10 months. The manufacturers or other suppliers would then notify us the transportation cost and insurance.

5. Invoicing and payment collection

Our usual arrangement is to issue invoices to our customers and they will make payments within 30 days. During the Track Record Period, the credit period we granted to our customers ranged from 0 to 90 days. We may also arrange with our customers full payment on or before delivery.

6. *Delivery of construction machinery*

The construction machinery is delivered to either customers' warehouses or construction sites upon component checks and/or recondition. In some occasions, the construction machinery is collected by our customers directly from our warehouse. Our Group does not provide warranty for reconditioned machineries sold on "as is" basis. For new construction machinery, our suppliers usually provide a standard warranty based on operating hours. Using crawler cranes as an example, our manufacturers usually provide a warranty of 2,000 operating hours for their cranes. We are also the Hong Kong service partner of some of the manufacturers. For the new construction machinery manufactured by these brands, we would provide to our customers the maintenance services covered in the warranty packages.

7. *Maintenance*

Any maintenance services covered by warranties are handled by our maintenance staff usually with spare parts provided by the manufacturer or other suppliers. The warranty for construction machinery usually includes regular maintenance package and covers items such as oil changes every 500 operating hours, which is usually about two months. If the construction machineries have been operated more than the warranted operating hours or suffer from any damage beyond normal wear and tear, the cost of repair and maintenance will be borne by the customer. Operating hours are measured by a meter factory-installed on every machinery.

Trading of construction machines under our rental fleet

Most of the steps depicted in the flow-chart above are applicable to the trading of construction machines under our rental fleet (directly or by way of finance leases) with the exception of steps three and four being the collection of 10% down-payment and shipping, respectively. Our customers would normally pick them up directly from wherever the construction machineries were located at the relevant time. For the sale of used construction machinery to our rental customers under finance leases, delivery is not required because these customers are already in possession of the machines.

Trading of spare parts

We either sell spare parts to our customers directly from our inventory or by placing back-to-back order to the manufacturers. We require our customers to pay the purchase price in full once they have picked up the spare parts directly from our storage for inventory or when the parts arrive our warehouses from our suppliers.

Transportation services

Our transportation services mainly involve provision of transportation services to construction work companies. For FY2013, FY2014 and FY2015, the transportation services contributed to approximately HK\$5.0 million, HK\$3.2 million and HK\$2.8 million, or approximately 2.1%, 1.0% and 0.7% of our total revenue, respectively. For the five months ended 31 August 2014 and 2015, the transportation services contributed approximately HK\$1.2 million and HK\$1.0 million, or approximately 0.8% and 0.8% of our total revenue, respectively.

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We transport payloads such as whole containers, materials and construction machinery. The services we provide include (i) local container delivery, (ii) site construction delivery, and (iii) heavy machinery transport. We provide those services using our fleet of transportation vehicles and equipment, including 38-tonne to 40-tonne heavy load trucks, 8-tonne to 25-tonne crane lorries, 20-feet to 40-feet trailers, and below 38-tonne trucks. In terms of the work flow of our transportation business, our customers would first communicate their logistical needs with us and we would give preliminary advice on the type of vehicles required to meet their needs. We would then provide them with a quotation. Once we receive an order confirmation, we would issue invoices to our customers. As soon as the payment is received, we will pick up the payload from a location designated by our customers and transport them to another designated location in Hong Kong.

PRINCIPAL TERMS OF OUR RENTAL AGREEMENTS

Below are some of the generalised terms included in most of our rental agreements:

- Contractual period ^(Note) : Minimum rental period of one month subject to extension by customers with a maximum of 41 months during the Track Record Period; we may sometimes include a fixed rental period ranging from one to 12 months depending on the nature and the estimated timeframe of the construction projects our customers are involved in.
- Disbursements : Our contract sum usually covers all ordinary disbursements incurred by us during the rental period including items such as inspection fees and maintenance costs.
- Payments : Invoices would be issued monthly based on the weekly work bill records collected by us twice every month. Our customers shall pay us within 30 days of the issuance of the invoices. For all overdue accounts, an interest of 1.5% per month would be charged.
- Termination : Our customers may unilaterally terminate our rental agreement due to reasons not attributed to any parties with a seven-day notice. If our customers wish to terminate our rental agreement before the expiry of the minimum rental period of one month, the customer shall pay us one month's rental fee.
- Crane operator : Usually provided by our Group or arranged by our customers if applicable.
- Repair and maintenance services : Included unless caused by damage beyond normal wear and tear or by the negligence of our customers.
- Fuel and lubricant : Provided by our customers.
- Insurance : We only provide Plant All Risk insurance for our machinery. All other insurances in relation to the contractor, employees or public liability are to be supplied by our customers with our Group as insured member and beneficiary.

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Normal working hours : 8 a.m. to 6 p.m. with one hour of lunch break on weekdays per calendar month. If our customers require our construction machinery to be operated over-time, for example, after 6 p.m. on weekdays, or on Sundays or public holidays, our customers shall pay us extra fees.

Note: Our Group would maintain a level of flexibility to meet the customer's need. In case of emergency, shorter contractual period, ranging from one to fewer than 30 days, may be available upon verbal confirmation between our customers and us. The customer may choose to extend the contractual period upon expiry, the customers would confirm by e-mail and keep signing the daily work bill.

MAJOR QUALIFICATIONS AND LICENCES

The business and profitability of our Group are not subject to any specific licencing requirements. We are not dependent on any qualifications or licences to provide construction machinery rental and trading, and transportation services to our customers.

In respect of our employees, in order to comply with the regulatory requirements in relation to the safety for construction machinery operations, all operating staff have obtained the required licence(s) before performing their duties. In Hong Kong, as our construction machinery operators such as crawler crane operators are considered to be engaged in construction works, they are subject to the applicable laws and regulations, such as the FIU Ordinance and the Code of Practice and they have to apply for a "Construction Workers Registration Card" issued by the Construction Workers Registration Authority in accordance with the Construction Workers Registration Ordinance (Chapter 583) and "Certificate for Operation of Crawler-mounted Mobile Crane" issued by the Construction Industry Council ("CIC"). These qualifications are renewable subject to satisfaction of all renewal criteria.

For our rental business, our construction machinery provided to customers to be used at construction sites in Hong Kong is mainly subject to the technical and regulatory requirements under the FIU (LALG) Regulations. Our construction machinery has obtained the relevant certification issued by qualified personnel according to the respective regulations prior to its application at construction sites. Our Directors confirm that our Group is not aware of and has not encountered any situations where our construction machinery has failed to obtain the relevant certification. For the customers' construction sites located in Macau, the HSCS Regulations lay down regulatory requirements on the contractor in respect of the crawler cranes and other lifting appliances. While we provide our construction machinery for rental to these customers, they arrange for relevant certification process of these construction machineries. Our Directors confirm that our Group has not received any notifications from our customers of these machineries having failed to receive the relevant certification. For our trading business, the manufacturers or suppliers are responsible to ensure that the respective construction machinery is fit for use.

Pursuant to the NRMM Regulation, effective from 1 September 2015, all regulated machineries sold or leased for use in Hong Kong must be approved or exempted with a proper label in a prescribed format issued by the EPD. Under the NRMM Regulation, existing non-road mobile machineries which are already in Hong Kong on or before 30 November 2015 will be exempted from complying with the emission requirements as long as application for exemption is submitted to the EPD between 1 June 2015 and 30 November 2015. As at the Latest Practicable Date, 137 of our construction machineries are

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subject to the NRMM Regulation and we have obtained approval or exemption for all of our Regulated Machines. 53 of the Regulated Machines were granted approval and the remaining 84 of them were granted exemption by the EPD under the NRMM Regulation.

Our Directors consider that the NRMM Regulation does not have any material adverse impact on our Group's business and its Regulated Machines.

In order to maintain younger fleet of construction machineries with wider variety of models, our Group has replaced and will replace, from time to time, our construction machineries during each of the financial years with reference to our historical replacement plan. During the Track Record Period, the capital expenditures were approximately HK\$89.5 million for FY2013, HK\$38.7 million for FY2014, HK\$44.0 million for FY2015 and HK\$3.3 million for the five months ended 31 August 2015 and the purchase of the construction machineries were financed by internal resources of our Group and the hire purchase from the financial institutions. Our Group has also prepared a replacement plan in the coming financial years and the expected capital expenditures of the construction machineries (excluding the capital expenditures to be financed by the net proceeds) will be approximately HK\$24.1 million for FY2016, HK\$35.3 million for FY2017, HK\$42.3 million for FY2018 and HK\$43.0 million for FY2019, which will be expected to be financed by internal resources of our Group and hire purchase from the financial institutions. In view of the above replacement plan and under our ordinary course of business, our Directors forecasted that our exempted Regulated Machines will be regressively decreased from 94 for FY2015 to 34 for FY2019, representing the drop from approximately 63.9% for FY2015 to approximately 20.6% FY2019 out of the total number of the Regulated Machines, and the number of our Regulated Machines will be increased from 147 in FY2015 to 165 in FY2019.

The tables below further set out the revenue generated from and the carrying value of our construction machineries during the Track Record Period:

Revenue generated

	For the year ended 31 March						For the five months ended 31 August 2015	
	2013		2014		2015		2015	
	HK\$'000	% of our rental revenue	HK\$'000	% of our rental revenue	HK\$'000	% of our rental revenue	HK\$'000	% of our rental revenue
Regulated Machines:								
(i) approved machines	53,628	27.2	61,596	31.4	54,170	31.0	16,939	35.4
(ii) exempted machines	48,891	24.8	54,506	27.7	43,448	24.8	13,668	28.6
Non-regulated machines	85,548	43.4	74,324	37.8	71,220	40.8	15,057	31.5
Other service income	9,267	4.6	6,100	3.1	5,911	3.4	2,145	4.5
Total	197,334	100.0	196,526	100.0	174,749	100.0	47,809	100.0

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	2013		As at 31 March 2014		2015		As at 31 August 2015	
	HK\$'000	<i>% of the carrying value of construction machineries</i>	HK\$'000	<i>% of the carrying value of construction machineries</i>	HK\$'000	<i>% of the carrying value of construction machineries</i>	HK\$'000	<i>% of the carrying value of construction machineries</i>
Regulated Machines:								
(i) approved machines	145,399	59.3	135,245	55.2	125,074	55.2	117,629	56.2
(ii) exempted machines	73,213	29.9	71,657	29.3	72,226	31.8	68,366	32.7
Non-regulated machines	26,449	10.8	37,963	15.5	29,474	13.0	23,155	11.1
Total	245,061	100.0	244,865	100.0	226,774	100.0	209,150	100.0

For details of the relevant laws and regulations and our quality control measures in relation to our business operations, please refer to the section headed “Regulatory overview” in this prospectus and the paragraph headed “Quality control” in this section, respectively.

SALES AND MARKETING

Sales and marketing team

We are dedicated to attaining market recognition and reputation in the construction industry in Hong Kong with our extensive market knowledge and work experience with local construction contractors. We have been providing quality construction machinery rental services to customers with a comprehensive portfolio of more than 200 construction machines during the Track Record Period as well as trading services in the past years through direct contacts.

We have a sales and marketing team of three members who are responsible for pitching activities and the team is the major contact point with our customers. Mr. James Tang, our executive Director, is the head of the team, working with two other marketing managers, both with more than 20 years of experience in the industry. Work is normally allocated amongst the team members by customer groups and by geographic location of the projects. Our Group and the manufacturers provide trainings to our sales and marketing employees, which cover topics such as service standard, service knowledge and product knowledge.

We have been managing good working relationships with our customers through proven past projects and on-going interactions. Our Directors believe that our close relationship with our customer also enable us to promote our Group in the industry and understand the latest market trends. Our efforts have been recognised by re-purchases from our customers. During the Track Record Period, among our customers, most of them under our rental operations were recurring customers. We advertised our products and services on trade magazines such as the Hong Kong based “Construction News” and “Building Products Finder”. Our sales and marketing team also attends regularly trade exhibitions such as the Bauma trade fair for construction machinery and arrange customers’ visit to our Japanese manufacturers of crawler cranes for machinery demonstration and business development. On a day-to-day basis, the team also maintains regular communication with existing contacts to procure business. New businesses usually come from referrals.

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When projects are awarded to the main contractors, we would be approached to provide quotations and we would receive reply from them in around one week to two months after we provide the same to them. Occasionally during different stages of construction projects, potential contractors would approach us for quotation on machinery price. Quotations are normally approved by either one of the three members of the sales and marketing team. For re-selling of our used construction machinery, customers are sometimes being introduced by other companies.

During the Track Record Period, we have submitted 22 tenders to two of our customers in which we have successfully obtained nine rental contracts with a tender success rate of approximately 40.9%. The revenue from the rental contracts obtained through tendering were approximately HK\$0.7 million, HK\$3.7 million, HK\$2.4 million, HK\$1.3 million and nil for FY2013, FY2014, FY2015 and the five months ended 31 August 2014 and 2015, respectively, representing approximately 0.3%, 1.2%, 0.7%, 0.8% and 0.0% of the total revenue of our Group for the respective periods.

Our sales and marketing team maintains frequent interactions with our customers. Through this solid channel, we understand customers' feedback on our services and their project progress. Most of our major customers are significant construction work companies in Hong Kong.

Pricing policy

For our rental of construction machinery, we normally charge our customers a fixed rental price and there is generally no discount policy. The pricing policy for our rental service primarily take into consideration of prevailing market rates. Our management is responsible for evaluating our costs structure in relation to each type of construction machinery offered by us. Being in a very specialised sector, our rental fees are formulated according to the latest market situation. The factors determining our rental fees include (i) the purchase costs of the construction machinery; (ii) total number of construction machinery of the same or similar specifications in the Hong Kong market; (iii) length of the rental period (we would suffer from increasing labour cost with a longer period); (iv) working condition of the site (difficulty of the project, extent of foreseeable wear and tear on construction machinery); and (v) competition from other service providers. In addition, we take into account the costs associated with the sub-leasing arrangements. Given the difference in nature and usage among different categories of the construction machinery, the purchase costs of each category vary and in particular the purchase costs for cranes would be generally higher. It leads to wider range of rental price under each category of construction machinery after considering our pricing policy.

In case of suspension of the construction projects our customers are involved in, our engagement in the rental service may be terminated prior to the rental period with seven days notice. If the construction projects are resumed within a specific time, we would continue our obligations as specified in our contract. Our customers may be required to pay us additional fees for transportation and inspection.

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The table below sets forth the range of and average (a) rental period; and (b) rental price per month for each category of construction machinery during the Track Record Period:

	Rental Period		Rental Price	
	Range <i>(month)</i>	Average <i>(month)</i>	Range <i>(HK\$)</i>	Average <i>(HK\$)</i>
Crawler cranes and other mobile cranes				
— below 50 tonnes	1.0–24.9	2.5	30,000–158,000	87,000
— 50 to below 110 tonnes	1.0–44.5	6.1	70,000–350,000	154,000
— 110 to below 400 tonnes	1.0–23.3	6.0	110,000–350,000	197,000
— 400 tonnes or above	1.0–15.0	3.1	350,000–588,000	433,000
Aerial platforms	1.0–36.6	2.1	3,000–72,000	18,000
Foundation equipment	1.0–56.6	5.3	4,000–550,000	59,000

For our trading of construction machinery, while some of the factors that we take into account for our pricing policy for our rental business also applies to trading, we take into account additional considerations that are specific to the trading of construction machinery. For trading of new construction machinery, our pricing policy takes into account factors such as supply and demand in the market, and the respective purchase costs from suppliers. In most occasions, we place back-to-back orders from suppliers upon request from our customers and the sale price would be subject to a cost-plus approach which generally ranged from 5% to 15%. With reference to purchase costs, we adjust our sale price in order to maintain a healthy profit margin. In addition to these factors, for used construction machinery, we also take into account the age and condition of the construction machinery. During the Track Record Period, the price of construction machinery and parts sold by us ranged from approximately HK\$500 to HK\$12.5 million. Such range of sales prices was mainly due to the models, origins and specifications of the construction machineries.

For our transportation services, the price can be affected by (i) the route chosen (for example, whether any toll fees need to be paid, physical condition of the route as rocky roads would lead to more wear and tear on vehicles, and distance); (ii) type of vehicles required; and (iii) length of service period.

Credit policy and payment methods

Our Group adopts standardised credit policy to our customers and our finance and accounting team is responsible for revising our credit policy and monitoring subsequent settlement of the trade receivables from time to time. For our rental business, we generally grant our customers a credit period of 30 days or depending on the terms of rental agreements after the issue of monthly invoices. The length of the credit period we grant to our customers is determined by reference to the internal credit rating of our customers and the credit period granted by our competitors. For our trading business, usually 10% of the trading price as deposit would be charged by us before we place order to the manufacturers or other suppliers and arrange for delivery. We normally do not grant any credit period to our customers and we demand payment in full when delivery of the construction machinery ordered is completed. Our invoices are denominated in Hong Kong Dollars, Euro, Yen, US Dollars and they are generally settled by way of bank transfer.

For details of our risk management policies and procedures in relation to the risks of collectability of our customers, please refer to the paragraph headed “Risk management — Risk management policies and procedures” in this section.

PRODUCT RETURNS AND WARRANTY

For our trading of construction machinery and parts, we ensure our products for trading are of merchantable standard by component checks. For new construction machinery, we usually place back-to-back orders upon receipt of orders from our customers and we generally do not accept return of products unless it is due to major quality problems upon delivery of our products to our customers. Our suppliers usually provide a standard warranty based on operating hours, for example, normally 2,000 operating hours for crawler cranes, and if any quality problems arise during the warranty period, we would liaise and follow up with the respective manufacturer or other suppliers of the defected machinery for these customers. For used construction machinery, we do not offer any warranty as we perform component checks before delivery.

During the Track Record Period, we did not encounter any return of products or warranty claimed in relation to defects in quality of our construction machinery sold.

CUSTOMERS

Our major customers include construction work companies engaged in either public or private construction projects in Hong Kong which require particular types of construction machinery at different stages of their projects. We have established long-term business relationship with some of our customers for over 10 years. Our sales and marketing team maintains contacts with these customers regularly to understand their needs and to provide relevant information to support their projects. Please refer to the paragraph headed “Sales and marketing” in this section for more details. The credit period is normally 30 days for our construction machinery rental services and ranges from 0 to 90 days for our trading services, based on the terms of the individual sales agreements.

During the Track Record Period, we have provided our services to more than 90 customers, among which some of our customers participate in government projects to develop public housing or civil engineering projects. According to the IPSOS Report, both the Housing Authority and the Building Department of the Hong Kong government imposed requirements on contractors before they can tender for public general building work projects and we therefore believe customers in this category are subject to the relatively more stringent requirements from the relevant government authority and the construction machineries requested are generally newer.

Depending on the business plans of the customers and their expectation on future machinery prices and rental rates, some customers may choose to purchase the construction machinery instead of entering into rental agreements with us which facilitate the growth of our trading business.

Five largest customers

We have a diversified customer base and are not reliant on any single or group of customers. This is evidenced by the fact that our top five largest customers accounted for approximately 52.3%, 40.4%, 24.9%, 31.0% and 35.1% of our total revenue for FY2013, FY2014, FY2015 and the five months ended 31 August 2014 and 2015, respectively. Revenue from our single largest customer amounted to approximately HK\$41.6 million, HK\$31.7 million, HK\$25.1 million, HK\$12.8 million and HK\$18.9 million, which were equivalent to approximately 17.1%, 10.0%, 6.8%, 7.9% and 13.5% of our total revenue for FY2013, FY2014, FY2015 and the five months ended 31 August 2014 and 2015, respectively.

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The major products sold or rented to our top five customers were crawler cranes. The tables below set out further details of our top five customers for each of the respective indicated period:

For the year ended 31 March 2013

Customer	Background and principal business nature	Major onward customer(s)	Year of establishment	Office location	Approximate year(s) of relationship (as at 31 August 2015)	Transaction amount (HK\$'000)	% of total revenue of our Group
A	Building and general contractions service provider engages in residential, non-residential, highway and street construction, heavy construction and engineering projects	Government of Hong Kong, public transportation company	1959	Hong Kong	9	41,588	17.1%
B	Construction works contractor engages mainly in residential, non-residential, highway and street construction, heavy construction and engineering projects	Government of Hong Kong, public transportation company, Hong Kong International Airport	1972	Hong Kong	15	35,867	14.8%
C	Construction works contractor engages in heavy construction and civil engineering projects	Public transportation company	2010	Hong Kong	4	19,222	7.9%
D	Construction works contractor engages in civil engineering projects	Government of Hong Kong, private property developer	1995	Hong Kong	18	15,324	6.3%
E	Construction works contractor engages in heavy construction, wrecking and demolition projects	Public transportation company	2010	Hong Kong	5	15,159	6.2%

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For the year ended 31 March 2014

Customer	Background and principal business nature	Major onward customer(s)	Year of establishment	Office location	Approximate year(s) of relationship (as at 31 August 2015)	Transaction amount (HK\$'000)	% of total revenue of our Group
B	Construction works contractor engages mainly in residential, non-residential, highway and street construction, heavy construction and engineering projects	Government of Hong Kong, public transportation company, Hong Kong International Airport	1972	Hong Kong	15	31,744	10.0%
A	Building and general contractions service provider engages in residential, non-residential, highway and street construction, heavy construction and engineering projects	Government of Hong Kong, public transportation company	1959	Hong Kong	9	29,681	9.4%
C	Construction works contractor engages in heavy construction and civil engineering projects	Public transportation company	2010	Hong Kong	4	28,311	8.9%
F	Construction machinery rental and transportation service provider engages in equipment and machinery leasing	Not applicable	1994	Hong Kong	5	19,247	6.1%
G	Construction machinery trader	Not applicable	2001	Hong Kong	2	18,883	6.0%

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For the year ended 31 March 2015

Customer	Background and principal business nature	Major onward customer(s)	Year of establishment	Office location	Approximate year(s) of relationship (as at 31 August 2015)	Transaction amount (HK\$'000)	% of total revenue of our Group
H	Construction works contractor engages mainly in heavy construction works, i.e. construction of tunnels and railways	Government of Hong Kong, public transportation company, theme park in Hong Kong	2013	Hong Kong	2	25,111	6.8%
F	Construction machinery rental and transportation service provider engages in equipment and machinery leasing	Not applicable	1994	Hong Kong	5	21,625	5.9%
I	Building and construction service company engages in building and construction services, foundation works (main/sub-contractor), site investigation, excavation work, concrete work, steel bending and erection	Government of Hong Kong	1985	Hong Kong	1	15,863	4.3%
J	Construction works service provider engages mainly in civil engineering and heavy construction works	Not applicable	2011	Hong Kong	3	15,822	4.3%
K	Construction works service provider engages mainly in civil engineering projects	Not applicable	1993	Hong Kong	6	13,306	3.6%

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For the five months ended 31 August 2015

Customer	Background and principal business nature	Major onward customer(s)	Year of establishment	Office location	Approximate year(s) of relationship (as at 31 August 2015)	Transaction amount (HK\$'000)	% of total revenue of our Group
H	Construction works contractor engages mainly in heavy construction works, i.e. construction of tunnels and railways	Government of Hong Kong, public transportation company, theme park in Hong Kong	2013	Hong Kong	2	18,899	13.5%
D	Construction works contractor engages in civil engineering projects	Government of Hong Kong, private property developer	1995	Hong Kong	18	10,962	7.8%
L	Distributor of steel products	Not applicable	2014	Hong Kong	Less than one year	7,082	5.1%
K	Construction works service provider engages mainly in civil engineering projects	Not applicable	1993	Hong Kong	6	6,384	4.6%
M	Construction machinery rental service provider	Not applicable	1999	Hong Kong	Less than one year	5,899	4.2%

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Three of our top five customers during the Track Record Period was also our suppliers. These customers were construction work contractors who rented our construction machinery.

One of our customers who was also a supplier has provided one-off repair and maintenance service to us for FY2013 and FY2014 which constituted approximately HK\$109,000 and HK\$19,000 of our costs, respectively. For FY2013 and FY2014, such customer generated approximately HK\$13.1 million and HK\$8.4 million of the gross profit constituting approximately 18.7% and 12.1% of the total gross profit, respectively. The one-off repair and maintenance service was engaged in the course of rental of our construction machinery to this customer. The service was arranged during operation of the machinery in the construction site and it is more cost-effective to engage the customer directly for the repair and maintenance service as they were able to provide the requisite parts and maintenance staff.

Another two customers who were also suppliers have rented certain construction machinery to us which constituted approximately HK\$1.1 million of our costs for FY2013 and approximately HK\$0.9 million of our costs for the five months ended 31 August 2015 respectively. Such customers generated approximately HK\$2.5 million of the gross profit constituting approximately 3.6% of the total gross profit for FY2013 and generated approximately HK\$0.5 million of the gross profit constituting approximately 3.1% of the total gross profit for the five months ended 31 August 2015. Our Directors confirm that this kind of arrangement is common in the construction machinery rental business and is an industry norm. Considering that we may not have specific type or model of construction machinery available in our rental fleet to fulfil the customers' need at a particular point of time. In this case, we may enter into rental agreements with third party construction machinery service providers and manufacturer to rent the specific type of construction machinery from them to arrange for sub-leasing. Given that there were only approximately 57 rental service providers as at April 2015, having considered also factors like the quality and pricing of these service providers as well as the availability of the particular type or model of construction machinery requested, our Directors consider it rather common for these service providers to enter into rental agreements with each other.

So far as our Directors are aware, none of our Directors, their respective associates or shareholders holding more than 5% of the issued share capital of our Group had any interest in our five largest customers during the Track Record Period and up to the Latest Practicable Date. We had not experienced any material shortage or delay in the supply of products during the Track Record Period.

Based on our past experience, there is no seasonality for our construction machinery rental operations as construction projects are conducted year-round due to stable climate in Hong Kong construction industry. As there are a lot of ongoing and potential infrastructure and other construction projects in Hong Kong, our Directors expect that the prosperity of this industry will continue to grow.

SUPPLIERS

Our suppliers primarily include suppliers of construction machinery and parts for our trading operations and other suppliers in support of our rental operations as well as transportation services. During the Track Record Period, we have engaged with more than 58 suppliers. The credit period granted by these suppliers ranges from approximately 0 to 45 days and we settle our payments by cheque, bank transfer or telegraphic transfer.

Construction machinery and parts for our trading operations

We trade a variety of new construction machinery and parts and used construction machinery including crawler cranes, aerial platforms, foundation equipment and spare parts. We make our purchases from different manufacturers and service providers of construction machinery, most of which without the need to go through any intermediaries or agents.

During the Track Record Period and up to the Latest Practicable Date, we sourced new construction machineries and parts for trading purpose from manufacturers of construction machinery located in Germany, France, Japan, Korea and other European countries. A major Japanese manufacturer of crawler cranes has been our largest supplier. Our purchases from this supplier were approximately HK\$21.7 million, HK\$83.1 million, HK\$118.4 million, HK\$36.0 million and HK\$66.8 million for FY2013, FY2014, FY2015 and the five months ended 31 August 2014 and 2015, respectively which were equivalent to approximately 27.2%, 55.8%, 57.2%, 42.8% and 81.8% of our total purchases for the respective periods. We have entered into non-exclusive dealership arrangement with this Japanese manufacturer of crawler cranes and have also been awarded formal certifications as authorised dealers of another major Japanese manufacturer of mini crawler cranes, a major European manufacturer of aerial platforms and a manufacturer of foundation equipment from Korea. For used construction machinery, we either source from construction machinery service providers in Hong Kong or from our global network of used construction machinery traders all over the world.

Purchases of new construction machinery usually have a long lead time for delivery. It could range from one to 10 months. We therefore rely on our sales and marketing team to closely monitor the trend and changes of the market and ascertain supply and demand through regular communications between our sales and marketing team and our customers.

Other suppliers

Other suppliers refer to construction machinery manufacturers and construction machinery service providers for rental sub-leasing, oil companies, and other third party service companies for maintenance, transportation and assembly/disassembly services engaged by us.

For our rental business, we sometimes enter into rental agreements with construction machinery service providers to lease certain construction machinery from them and we would then sub-lease the construction machinery to our own customers. To maintain our repair and maintenance capabilities of our rental fleet, we purchase spare parts from the suppliers for our trading services. For the operation of our construction machinery and the provision of our transportation services, we also use a large amount of fuel and hydraulic oil acquired from different oil companies. As part of our rental operations, we may engage other third party service providers to perform certain work processes such as transportation, maintenance and the assembly and/or disassembly of heavy machinery.

The expenditure incurred for these products and services amounted to approximately HK\$54.6 million, HK\$52.1 million, HK\$53.9 million, HK\$27.3 million and HK\$14.2 million for FY2013, FY2014, FY2015 and the five months ended 31 August 2014 and 2015, respectively, representing approximately 31.6%, 21.2%, 17.6%, 21.2% and 11.4% of the total costs during the respective periods. Among these suppliers, during the Track Record Period, four construction machinery service providers were the related parties to our Group, and except as disclosed, all of our suppliers are Independent Third Parties. We select the service providers based on their experience, our past history of cooperation and

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their price quotations as compared to those of other service providers. The terms in the engagement agreement are based on arm's length negotiation and are project based. The engagement fee is decided with reference to the market price. We have been working with most of these service providers for over five years. During the Track Record Period, our Directors confirm that there has been no major disputes with these service providers and we have not received any complaint or request for any kind of compensation from our customers due to quality issue for the works performed by these service providers.

Five largest suppliers

For FY2013, FY2014, FY2015 and the five months ended 31 August 2014 and 2015, purchases from our five largest suppliers accounted for approximately 55.5%, 77.9%, 87.4%, 85.1% and 91.7%, respectively, of our total purchases, while purchases from our largest supplier accounted for approximately 27.2%, 55.8%, 57.2%, 42.8% and 81.8%, respectively, of our total purchases. We usually pay our top five suppliers by telegraphic transfer and bank transfer. The following table sets out our top five suppliers during the Track Record Period:

For the year ended 31 March 2013

Supplier	Principal business nature	Major product(s) purchased/ services engaged	Approximate years of relationship (as at 31 August 2015)	Transaction amount (HK\$'000)	% of total purchase of our Group
A	Japanese manufacturer of crawler cranes	Crawler cranes	5	21,677	27.2%
B	German manufacturer of crawler cranes	Crawler cranes	12	11,515	14.4%
C	Related party ^(Note)	Crawler cranes	7	4,113	5.2%
D	Related party	Crawler cranes	13	3,473	4.4%
E	Singaporean construction machinery trader	Crawler cranes	2	3,409	4.3%

Note: No longer a related party since 3 October 2014.

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For the year ended 31 March 2014

Supplier	Principal business nature	Major product(s) purchased/services engaged	Approximate years of relationship (as at 31 August 2015)	Transaction amount (HK\$'000)	% of total purchase of our Group
A	Japanese manufacturer of crawler cranes	Crawler cranes	5	83,145	55.8%
B	German manufacturer of crawler cranes	Crawler cranes	12	20,787	13.9%
D	Related party	Crawler cranes	13	6,004	4.0%
F	Construction machinery service provider	Construction machinery transport, assembly, repair service	8	3,497	2.3%
G	Korean manufacturer of foundation equipment	Foundation equipment	5	2,826	1.9%

For the year ended 31 March 2015

Supplier	Principal business nature	Major product(s) purchased/services engaged	Approximate years of relationship (as at 31 August 2015)	Transaction amount (HK\$'000)	% of total purchase of our Group
A	Japanese manufacturer of crawler cranes	Crawler cranes	5	118,442	57.2%
B	German manufacturer of crawler cranes	Crawler cranes	12	40,469	19.6%
H	Related party ^(Note)	Foundation equipment	4	9,344	4.5%
G	Korean manufacturer of foundation equipment	Foundation equipment	5	7,373	3.6%
I	Construction machinery service provider	Crawler cranes	4	5,214	2.5%

Note: No longer a related party since 3 October 2014.

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For the five months ended 31 August 2015

Supplier	Principal business nature	Major products purchased/services engaged	Approximate year(s) of relationship (as at 31 August 2015)	Transaction amount (HK\$'000)	% of total purchase of our Group
A	Japanese manufacturer of crawler cranes	Crawler cranes	5	66,758	81.8%
B	German manufacturer of crawler cranes	Crawler cranes	12	3,820	4.7%
J	Engineering company	Crawler cranes	9	1,716	2.1%
I	Construction machinery service provider	Crawler cranes	4	1,516	1.9%
K	Transportation company	Crawler cranes	6	1,033	1.3%

Eight of the above major suppliers during the Track Record Period were also our customers. The details of which are summarised below:

- For FY2013, FY2014, FY2015 and the five months ended 31 August 2014 and 2015, the revenue generated from the provision of services to these suppliers amounted to approximately HK\$0.2 million, HK\$9.2 million, HK\$9.3 million, HK\$8.7 million and HK\$0.3 million, respectively, which amounted to approximately 0.08%, 2.9%, 2.5%, 5.4% and 0.2% of our revenue, respectively.
- For FY2013, FY2014, FY2015 and the five months ended 31 August 2014 and 2015, our gross profit generated from these suppliers constituting approximately 0.1%, 1.4%, 1.4%, 2.7% and 0.1%, respectively, of the total gross profit of the respective periods.
- We either provided trading and rental of construction machinery, transportation or maintenance services to them upon request due to the limited number of similar service providers in the industry and also our business relationship with these suppliers.

So far as our Directors are aware and except as disclosed, none of our Directors, their respective associates or shareholders holding more than 5% of the issued share capital of our Group had any interest in our five largest suppliers during the Track Record Period and up to the Latest Practicable Date. We had not experienced any material shortage or delay in the supply of products from our suppliers during the Track Record Period.

INVENTORY AND COST MANAGEMENT

Inventory management

Our inventories recorded on our books of accounts mainly include one crawler crane and spare parts. As at 31 March 2013, 31 March 2014, 31 March 2015 and 31 August 2015, our inventories amounted to approximately HK\$0.5 million, HK\$4.4 million, HK\$0.9 million and HK\$5.6 million, respectively. The substantial increase recorded as at 31 March 2014 as compared to that of 2013 was due to one machine ordered by our client but not yet collected as at 31 March 2014. The substantial increase recorded as at 31 August 2015 was due to one machine purchased but not yet sold out as at 31 August 2015. Back-to-back orders are usually placed for new construction machinery transactions. Occasionally we may place orders for spare parts based on forecasted demands and these spare parts will be carried as inventory to be used in our maintenance or warranty as requested by the suppliers.

In general, as we usually do not carry any new construction machinery as inventory, we make order to manufacturers and other suppliers as soon as we receive order from our customers. Upon request from customers, we would check with the suppliers for the relevant quotation and the availability of supplies. We then collect from our customers usually 10% of down payment prior to the placing of purchase order and the remaining balance would be collected either cash on delivery or cash before delivery. While we typically place back-to-back orders for trading new cranes, we have recorded the average inventory turnover days for three days, four days, three days and four days as at 31 March 2013, 31 March 2014, 31 March 2015 and 31 August 2015, respectively. We source these suppliers based on our past business relationship while our management continues to source suppliers from different places. In case of any shortage of supply for a particular model, we can source alternative suppliers with comparable quality and prices. And since we mostly place orders on back-to-back basis and our management is of the view that there would be alternatives from different suppliers for similar models, our business operations would not be subject to solely the supply of particular supplier. Our Directors confirm that during the Track Record Period our Group has not encountered any shortage of supply that would have a material impact to our business operations.

Cost management

With the practice of back-to-back orders under our trading of construction machinery, we are able to shift any change of purchase costs prior to placing of order and delivery to our customers. For rental of construction machinery, since we maintain our rental fleet based on the forecast of market trend as well as the industry experience of our management, we would make advance orders for our rental fleet. Given that we have maintained stable relationships with our suppliers, our Directors believe that we are able to maintain the cost of our rental fleet at the reasonable level taking into account also the brand and quality of the construction machinery. Besides, our pricing policy also takes into account the purchase costs of our construction machinery in order to reflect any cost fluctuation when we first purchased the respective construction machinery.

While our Directors will continue to monitor the current inventory and cost management policy, it is believed to be efficient and sufficient to maintain stable operations of our business. For the impact of hypothetical fluctuation in staff costs on our profit before tax and our profit for the year during the Track Record Period, please refer to the sensitivity analysis under the section headed “Financial information — Staff costs” in this prospectus.

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In addition to the fluctuation of the average unit selling price and average unit purchase price of our construction machinery, the occurrence of certain events disclosed in the section headed “Risk factors” in this prospectus may also cause us to incur a loss.

QUALITY CONTROL

Quality control on our operations and construction machinery

We have three supervisors responsible for quality control each in average with over 10 years of experience in related industries. Among which, all of them have obtained professional qualifications or licence(s) such as “Construction Workers Registration Card” and “Construction Industry Safety Training Certificate”. They are responsible for quality control at the warehouse and have to ensure that all the construction machines under their purview are up to required standards. Every piece of construction machinery that leaves the warehouse is inspected carefully before its departure and after it is returned to the warehouse. Operators will report any problems to the supervisors and they will fill in the internal records for each machine. In addition, we also hire a qualified third-party consultant to oversee the quality of our construction machinery.

Our cranes are inspected weekly by a competent person which is normally the licensed operator and results of the inspection are recorded in Form 1 (“Reports of Results of Weekly Inspections of Lifting Appliances”) according to the FIU (LALG) Regulations and the relevant guidelines from the Labor Department. Certifications from RPEs in the form of Form 3 (“Certificate of Test and Thorough Examination of Crane Crabs and Winches”) must also be obtained before use after a crane undergone substantial repair, re-erection, failure, overturning or collapse. As our cranes have to be disassembled for transport, certifications must be obtained before commencing operations at our customers’ construction sites. The respective cranes will have to undergo certification process at construction sites which are conducted by the RPEs hired by either our Group or our customers and the process normally consists of eye inspection and test lift. For aerial platforms, annual certifications are obtained through the issuance of Form 4 (“Certificate of Test and Thorough Examination of Lifting Appliances (Except Cranes, Crabs and Winches)”) by the RPEs. As there is no disassembly and re-assembly process involved, aerial platforms are certified annually upon expiry of the one year valid period of Form 4. Upon completion of certification process, the RPEs would fill in the respective forms for the issuance of relevant certifications. In addition, our cranes and aerial platforms must also undergo annual examinations by the RPEs to obtain certifications in the form of Form 5 (“Certificate of Test and Thorough Examination in the Preceding Twelve Months”) of which the respective certification process will be normally conducted at construction sites. For other types of construction machinery that are not subject to the regulatory regime, we inspect them regularly.

To ensure compliance with the NRMM Regulation, the Technical Circular and any other applicable laws and regulations regarding our construction machineries, our compliance officer will advise our Board after the publication of any regulatory announcement or circular in relation to the construction industry, in particular, any new requirements imposed on our construction machineries. We will also engage external professionals, including external legal adviser and other advisers to render professional advice as to compliances with statutory and regulatory requirements as applicable to our construction machineries from time to time.

Our Directors confirm that, during the Track Record Period, there were no instances where our construction machineries under our rental fleet failed to obtain any of the certifications when required.

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Moreover, all the construction machinery that we purchased from our suppliers have complied with the relevant international standards, including the European standards and the relevant standards of the International Organisation for Standardisation which are normally applicable in Hong Kong.

Quality control on our suppliers

Our suppliers primarily refer to the suppliers for new construction machinery and parts and used construction machinery for our trading operations; and also other suppliers for the provision of construction machinery rental, spare parts, oil, maintenance, transportation, assembly/disassembly services. In general, we source these suppliers based on their experience, our past history of cooperation and their price quotations. In particular for the suppliers of new construction machinery and parts and used construction machinery, our sales and marketing team would apply their industry knowledge in view of the trend and changes of the market for the sourcing of suppliers in comparable quality.

OCCUPATIONAL HEALTH AND WORK SAFETY

When operating our construction machinery, our crane operators are required to follow closely our internal guidelines as well as the Code of Practice issued by the Commission for Labour under Section 7A of the FIU Ordinance in Hong Kong. These measures include: (i) our mechanics in our warehouses are required to perform daily routine checking on all the machinery of our Group to ensure they are in good condition before delivery to customers' construction sites; (ii) all of our operations staff are required to wear safety helmets, safety footwear and safety gloves when working in both our warehouses and the construction sites; and (iii) our machinery operators are required to strictly follow our standard procedures for operating different types of machinery such as wearing protective gear including safety helmets, safety footwear and safety gloves. Only certified operators are eligible to operate our construction machinery. Our operation employees are highly experienced and they follow all processes when they are dealing with our construction machinery.

Accident and fatality rates

During the Track Record Period and up to the Latest Practicable Date, we have not encountered any fatal construction accidents on construction sites for which our rental operation may be related to and we may be responsible for. We are also not aware of any removal, suspension, downgrading or demotion of the qualifications or licences that our operators may have possessed. Notwithstanding the aforesaid, our employees may be involved in accidents caused by common workplace issues resulting in injuries from time to time given the nature of our operations. During the Track Record Period and up to the Latest Practicable Date, our Group has encountered four relatively minor accidents resulted in insignificant bodily injuries and did not cause any fatality which then led to pending and settled claims and litigations.

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The table below sets out the details of the accidents ^(Note) and the possible enhanced internal control measures:

Injured party	Nature	Causes	Seriousness	Enhanced internal control measures
Zhang Jie	Third party personal injury — the claimant was a passenger on board a Light Rail train when one of our crane's boom fell on the Light Rail train near Tuen Mun Station.	No apparent causation was known to the best knowledge of our Directors. Our crane carried out work according to the on-site instructions of our customer when the accident happened.	Insurance company has taken over conduct of the proceedings on our behalf and has agreed to provide indemnity to us.	Other than our mechanics, our machinery operators are also required to perform checking on a daily basis before operating the machines.
Tam Yin Hing	Employee injury — the employee fell onto ground while lifting goods.	Carelessness of the employee. According to the injured employee, he slipped onto ground when lifting goods. He did not accuse us for any inappropriate practice. The Labour Department assessed to offer the employee allowance for 57 days of sick leave.	57-day leave granted (from 12 June 2012 to 9 August 2012). Mr. Tam returned to work after leave.	Our operations staff are reminded to strictly follow our internal guidelines when entering into work site in relation to wearing protective gear.
Leung Yiu Fai	Employee injury — the employee was struck in the head by a lifting equipment when assisting with the lifting of goods at the warehouse.	No apparent causation was known to the best knowledge of our Directors. The injured employee and our lifting equipment carried out work according to our internal guidelines when the accident happened.	241-day leave granted (from 31 October 2013 to 17 August 2014). Mr. Leung returned to work after leave.	Our internal guidelines also specify various safety measures which require the machinery operators not to leave an operating machinery unattended, and all staff are required to wear safety helmets, gloves and reflective clothing upon entering the warehouse.
Lam Chi Hung	Employee injury — the employee fell down from crane lorry after completing the initial preparation for lifting goods at our customer's construction site.	Carelessness of the employee. The injured employee tangled with the webbing sling and fell about one meter to the ground.	285-day leave granted (from 31 December 2014 to 11 October 2015). Mr. Lam returned to work after leave. As the accident occurred at our customer's construction site, our customer is responsible for insurance coverage of any compensation arises.	Our operation staffs are reminded to strictly follow our internal guidelines on safety. They should ensure a particular object is secure before stepping onto it.

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Note: The accidents in relation to Zhang Jie, Tam Yin Hing, Leung Yiu Fai and Lam Chi Hung happened on 9 September 2010, 12 June 2012, 30 October 2013 and 31 December 2014, respectively.

Despite no particular cause was able to be located for some of the accidents occurred during the Track Record Period, our Directors and the Sole Sponsor believe that the enhanced internal control measures will increase the safety awareness of our employees and equip them with better knowledge of workplace safety and thus lower the possibility for the occurrence of future potential accidents. The table below summarises the accident rates and fatality rates per 1,000 workers of the construction industry in Hong Kong as compared with the accident rates and fatality rates of our Group:

	For the year ended 31 March				For the five months ended 31 August			
	2013		2014		2015		2015	
	Accident rate (per 1,000 workers)	Fatality rate	Accident rate (per 1,000 workers)	Fatality rate	Accident rate (per 1,000 workers)	Fatality rate	Accident rate (per 1,000 workers)	Fatality rate
Construction industry in Hong Kong ^(Note 1)	44.3	0.3	40.8	0.2	41.9	0.2	N/A	N/A ^(Note 3)
Our Group ^(Note 2)	7.5	0	8.3	0	9.2	0	0	0

Source: IPSOS Report

Notes:

1. Data refers to the three years ended 31 December 2012, 2013 and 2014.
2. Our Group's accident rates per 1,000 workers are calculated as the occurrence of accidents during the period divided by the number of our operations staff during the period and then multiplies the result by 1,000.
3. No data available from government official from 31 December 2014 onwards.

The table below shows our Group's lost time injuries frequency rates ("LTIFR(s)") ^(Note) are set out below:

For the year ended 31 March 2013	3.22
For the year ended 31 March 2014	3.57
For the year ended 31 March 2015	3.94
For the five months ended 31 August 2015	—

Note: LTIFR is a frequency rate that shows how many lost time injuries occurred over a specified time (for example per 1,000,000 hours) worked in a period. The LTIFRs shown above are calculated as multiplying the number of lost time injuries of our Group happened during the relevant financial year by 1,000,000 and then dividing by the number of hours worked by our operation staff over the same financial year.

The accident rates and fatality rates of our Group were far below the comparable figures for the construction industry in Hong Kong. Considering that the limited number of accidents occurred during the Track Record Period were one-off incidents under which our employees have complied with the relevant internal guidelines and there was no material misconduct involved, our Directors consider and the Sole Sponsor concurs that the accident rates and the level of seriousness were lower than the industry average.

Procedures for handling employee injuries and accidents at work

It is common in the construction industry, due to the nature of work, our Group may be subject to claims from employees for work-related injuries. Our Group's administration department is responsible for recording details of the injuries, the claims and handling claims for accidents and injuries from our staff. We are also responsible for liaising with the relevant insurance company, the claimant and in case of more serious claims as considered appropriate by the management, obtaining advice from external legal adviser.

Our Group's step by step procedures for handling these matters are as follows:

Step 1: Recording and filing

The employee injured normally informs our Group of the injury and the administration department will make record in our Group's system with details of the claim including date and time, cause of accident, employee's details as well as updates from time to time concerning claim amount, rectification measures and current status of claim or litigation. All the relevant documents will also be recorded in our Group's system. The system will notify the responsible staff consistently for necessary follow-up action.

Step 2: Fact finding and reporting

The administration department will report to the insurance company and, if applicable, external legal adviser once it has gathered all relevant information.

Furthermore, our Group will, if it is an employee injury or occupational disease case, notify the Labour Department in accordance with the Employees' Compensation Ordinance, within 14 days (seven days for fatal cases) after the incident comes to its knowledge. Correspondences with the Labour Department will also be provided to the insurance company. Furthermore, it may use paper medical clearance to speed up settlement of work injury cases and facilitate the Labour Department's assessment as to compensation.

Our Group's management will assess whether our Group's safety measures are sufficient or any additional improvements may be necessary.

Step 3: Settlement or litigation

If our Group agrees on the compensation, we will settle with the injured staff directly or if covered by insurance and agreed by the insurer, the claim will be paid by the insurer. If our Group does not accept the liability or we cannot agree on the compensation amount, the matter may be litigated.

As at the Latest Practicable Date, our Group is under a litigation proceeding in relation to a personal injury claim. Our insurance company and its legal representative have taken over conduct of the proceedings on our behalf and our insurance company has agreed to provide indemnity to us. For details, please refer to the paragraph headed "Legal proceedings and compliance" in this section.

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ENVIRONMENTAL MATTERS

As we focus on rental, trading and transportation services relating to construction machinery, we are not subject to any significant environment laws and regulations in Hong Kong, except as disclosed in the section headed “Regulatory overview” in this prospectus. Our customers’ site management are responsible for compliance with the relevant environmental regulations. During the Track Record Period, we were not subject to any major environmental claims, lawsuits, penalties or disciplinary actions.

AWARDS

We received Hong Kong Institute of Landscape Architects (HKILA) Design Awards in 2012 for our involvement in Kai Tak development concerning a tree relocation plan.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we are undergoing the registration process of the trademarks of “占龍” in the PRC and “CK” in Macau and the PRC for principally our rental and trading of construction machinery business. In addition, we are the assignee of the Hong Kong Trademarks, that Chim Kee Group assigned the ownership to us before the Latest Practicable Date at nil consideration. Please refer to the section headed “Statutory and general information — Further information about the business — Intellectual property rights of our Group” in Appendix IV to this prospectus.

Save as the above, our business or profitability is not dependent on any patent or licence or any other intellectual property rights. During the Track Record Period, we have faced one patent infringement claim. Please refer to the paragraph headed “Legal proceedings and compliance” in this section for more details.

RESEARCH AND DEVELOPMENT

During the Track Record Period and as at the Latest Practicable Date, we did not engage in any research and development activity. We, however, remain attentive to the latest development and trend in construction machinery through our sales and marketing efforts.

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EMPLOYEES

As at the Latest Practicable Date, we had 126 full-time employees who were directly employed by our Group in Hong Kong. A breakdown of our employees by function as at the respective indicated dates is set forth below:

	As at 31 March			As at 31 August 2015	As at the Latest Practicable Date
	2013	2014	2015		
Management	2	2	3	3	3
Sales and marketing	2	2	3	3	3
Operations	133	120	109	106	105
Administration	6	6	9	10	10
Finance and accounting	4	4	6	5	5
Total	<u>147</u>	<u>134</u>	<u>130</u>	<u>127</u>	<u>126</u>

We generally recruit our employees from the open market or by referral and enter into employment contracts with our employees. We offer attractive remuneration packages to our employees. In addition to salaries, our employees would be entitled to bonuses subject to company and employees' performance. We provide a defined contribution to the Mandatory Provident Fund as required under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for our eligible employees in Hong Kong.

Our operations staff consists of experienced machinery operators and other mechanics. While such employees are highly demanded in the market, we manage to maintain a relatively stable workforce by continuous recruitment from the market or through referrals. New employees are required to attend induction courses to ensure that they are equipped with the necessary skills and knowledge to perform their duties. In order to promote overall efficiency, we also offer technical trainings to our existing employees on the operation of more advanced construction machineries. Selected operation staff are chosen to attend external trainings which are conducted by the manufacturers to acquire up-to-date technical skills and knowledge on the products we rent and sell out to our customers.

Staff costs for FY2013, FY2014, FY2015, the five months ended 31 August 2014 and 2015 were approximately HK\$53.7 million, HK\$57.2 million, HK\$56.8 million, HK\$23.4 million and HK\$22.4 million, respectively, representing approximately 22.1%, 18.1%, 15.4%, 14.4% and 16.0% of our total revenue, respectively. We maintain good working relationship with our employees. There had not been any labour strike within our Group during the Track Record Period and up to the Latest Practicable Date.

INSURANCE

We maintain comprehensive insurance coverage for our rental fleet at warehouses. We have maintained insurance for fire, flood and other common disasters as well as third party liability because insurance coverage for theft is generally not available for the industry in Hong Kong. Our Directors believe that the insurance coverage with respect to our warehouse facilities is adequate and is in line with the industry norm and that our warehouses are sufficiently protected by security guards employed at the warehouse sites. When our construction machinery is deployed at the construction sites, we provide Plant All Risk insurance and the construction site management (i.e. the main contractor) is responsible for all other liabilities.

For our rental operation, our customers are required to maintain insurance coverage for risks associated with the operations of the equipment or machinery rented out by us. Specifically, the insurance policies cover areas such as third party liability and liabilities relating to operations of the machinery and equipment which we rent out. In relation to our employees, we have maintained employee compensation insurance for all our employees including our operators covering insured workplaces like warehouses and construction sites of our customers. We have also maintained third party insurance for our employees in our warehouses for claims arising from accidental bodily injury to any person and accidental damage to any property in the insured workplaces. In particular to rental with operators, our customers are required to maintain insurance coverage for both employee compensation insurance and third party insurance as stated in our general terms and conditions to the rental agreements. Any liabilities, compensation or claims arising from accidents or injuries to our operators and also to any third parties on the construction sites or as a result of the use of the relevant construction machinery are covered by the insurance provided by our customers.

Certain types of risks, such as risks arising from events including natural disasters, adverse weather conditions, political unrest and terrorist attacks, are typically not covered by the insurance policies because they are either uninsurable or it is not cost justifiable to insure against such risks. Additional exclusions such as contractual liability and injury caused by pollution or contamination are found in the employee compensation insurance maintained by us for our operation staff in construction sites. In terms of the third party insurance arranged by our customers, we were not able to review the respective insurance policies as our customers normally arrange insurance for various construction sites or construction projects committed by them over a certain period and the insurance policies, while covering the employees of our Group at their sites, also cover other employees of the customers or other relevant parties which may include other sub-contractors, in particular other rental service providers also supplying construction machinery to our customers for the particular projects or in the particular sites. These third party insurance policies therefore were not made available for our review and inspection and the customers were unable to provide such insurance policies to us due to commercial confidentiality. Based on the market information provided to us by our insurance agent and according to the industry norm, our Directors believe that the exclusion clauses contained in the third party insurance arranged by our customers are similar to those contained in the insurance maintained by us. Our Directors consider that those exclusion clauses shall not give rise to any material unpredictable liabilities to us and that the insurance coverage maintained by us and our customers is sufficient for the protection of our business operations and our employees.

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For our trading operation, insurance coverage would normally be provided by the manufacturers or other suppliers and we are not liable to the product liability associated with the new and used construction machinery sold to our customers. Under the terms of the contracts, the customer is responsible for the inspection of the construction machinery before accepting it and we as the trader are not liable for any claims on product liability associated with subsequent use of the construction machinery.

As at the Latest Practicable Date, except as disclosed, there were no claims relating to incidents in which we incurred liabilities. All future claims of similar nature, if any, would have been fully covered by the insurance policies and as a result there should be no material impact on our operations and financial performance. Our insurance policies are reviewed on an annual basis.

MARKET COMPETITION

The markets of trading and rental of construction machinery in Hong Kong are with some major entry barriers for new entrants which include high industry expertise, significant initial capital investment and established relationships with customers such as developers and contractors. In April 2015, there were about 73 construction machinery service providers in Hong Kong. Amongst these service providers, approximately 39 of them focused on both construction machinery rental and trading services, 18 of them focused only on rental service, and the remaining 16 focused only on trading service. In 2014, the total industry revenue generated by the top five construction machinery rental and trading service providers recorded approximately HK\$1,178.5 million, which constituting approximately 17.8% of the total revenue of the industry.

Our Group has generated approximately HK\$174.7 million of revenue from our rental service for the year ended 31 March 2015 which contributed approximately 4.3% of the total revenue in the rental service industry. We have also generated approximately HK\$191.4 million of revenue from our trading service for the year ended 31 March 2015 which contributed approximately 7.4% of the total revenue in the construction machinery trading industry. According to the IPSOS Report, our Group ranked first and contributed about 5.5% of the total revenue in the construction machinery rental and trading service industry in Hong Kong in 2014, for our revenue of approximately HK\$366.2 million generated for the year ended 31 March 2015 under both our rental and trading operations.

Other service providers in our industry compete on price, services and relationship with developers, architects, and contractors. There are entry barriers for new entrants to enter the construction machinery rental service industry in Hong Kong, such as challenges in acquiring industry expertise, accumulating initial capital investment, and sourcing customers which have already built up relationships with existing service providers. Since we have engaged in this industry for more than 50 years with a relatively comprehensive mix of rental fleet and we offer extra services such as maintenance services and operation services by our experienced staff, our Directors believe that our ability to offer a more comprehensive portfolio of construction machinery and trust built through long-term business partnership with both our customers and suppliers in the past decades enable us to be in a more competitive position.

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PROPERTY

As at the Latest Practicable Date, our Group owned one property located in Ma Mei Ha, Fanling (the “**Owned Property**”) which has a total area of approximately 17,000 sq.ft. In addition to the Owned Property, we have leased or entered into tenancy agreements for the use of the following properties:

Properties	Term	Size	Monthly rental expenses	Usage
1/F Block Front, 438 Nathan Road, Yau Ma Tei, Kowloon, Hong Kong	From 1 January 2015 to 31 December 2017	100 sq.ft.	HK\$4,000	Office
A piece of land located at Whitehead site, Ma On Shan, New Territories (the “ Ma On Shan Site I ”) (Note)	From 1 May 2015 to 13 March 2017	Approximately 30,000 sq.ft.	HK\$81,000	Storage of construction machineries
A piece of land located at Whitehead site, Ma On Shan, New Territories (the “ Ma On Shan Site II ”) (Note)	From 8 August 2015 to 13 March 2017	Approximately 52,000 sq.ft.	HK\$166,400	Storage of construction machineries

Note: As advised by our Hong Kong legal advisers, the usage of the Ma On Shan Site I and the Ma On Shan Site II as storage of construction machineries is permitted by the government and there is no legal impediment using them to store the construction machineries accordingly.

Our Directors are of the view that, despite slightly higher rental expenses for the Ma On Shan Site I and the Ma On Shan Site II as compared with the six properties previously leased in Fanling (collectively the “**Fanling Leased Properties**”), the rentals reflect the current market rent and the higher rents payable for the Ma On Shan Site I and the Ma On Shan Site II will not affect the financial position of our Group.

The Fanling Leased Properties that we leased during the Track Record Period but terminated as at the Latest Practicable Date

During the Track Record Period, our Group has leased the Fanling Leased Properties, and that our Group had used five of these leased properties as storage of construction machineries and parking spaces and sub-leased one of them to an Independent Third Party.

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For each of the Fanling Leased Properties, our Directors had made genuine disclosure to the respective landlords that we intended to use them for storage of construction machineries. The table below sets out the details of the Fanling Leased Properties including their current status:

	Term	Tenant	Specified usage in the tenancy agreement	Usage by our Group	Termination
Land A	1 November 2014 to 30 September 2015	Chim Kee Machinery	Storage of construction machineries	Storage of construction machineries	Termination notice served on 11 March 2015. The tenancy agreement has been terminated on 1 September 2015.
Land B	1 November 2014 to 15 December 2015	Chim Kee Machinery	Storage of construction machineries	Storage of construction machineries	Termination notice served on 11 March 2015. The tenancy agreement has been terminated on 1 September 2015.
Land C (the “ Sub-leased Property ”)	1 September 2011 to 31 August 2015	Chim Kee Machinery	Storage of construction machineries	Sub-leased to an Independent Third Party	Termination notice served on 11 March 2015.
Land D	1 April 2013 to 31 March 2015	Chim Kee Machinery	For agricultural purpose only <i>(Note)</i>	Storage of construction machineries and parking spaces	Termination notice is not required since the original tenancy period ended on 31 March 2015.
Land E	1 June 2014 to 31 May 2017	Chim Kee Machinery	Not specified but there is a clause requesting the tenant not to breach the usage specified in the respective government lease <i>(Note)</i>	Storage of construction machineries and parking spaces	Termination notice served on 9 March 2015.
Land F	Renewal on a monthly basis from 12 March 2014	Chim Kee	For storage of construction materials and machineries	Storage of construction machineries	Termination notice served on 11 March 2015.

Note: During the Track Record Period, the landlords of the respective properties did not provide written consent to our usage of the property as storage of construction machineries and parking spaces, but they have not raised objection to our Group for the said usage.

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In addition, among the Fanling Leased Properties, we have sub-leased one of them (the “**Sub-leased Property**”) to an Independent Third Party at a monthly rental fee of HK\$18,000 under periodic sub-leasing arrangement, and the sub-lessee had used the Sub-leased Property as storage of car components. Sub-leasing was not prohibited under the respective tenancy agreement between our Group and the respective landlord.

As the permitted usage of the Fanling Leased Properties in the relevant government leases was agricultural, the usage of the Fanling Leased Properties as storage of construction machineries and parking spaces were not in line with the permitted usage, which as advised by Mr. Yuen Siu Kei, a counsel in Hong Kong, constituted “unauthorised development” under the Town Planning Ordinance. For details of such non-compliance, please refer to the paragraph headed “Legal proceedings and compliance — Non-compliance matters of our Group during the Track Record Period and as at the Latest Practicable Date” in this section.

At the time when our Group entered into the tenancy agreements with respective landlords for the Fanling Leased Properties, our Directors have not sought any legal advice for the tenancy affairs and therefore we have failed to realise the legal risks associated with. During the course of preparation of the Listing, our Directors discussed the potential legal risks associated with land and properties. As it involved complicated legal analysis related to lands in the New Territories, our Group engaged Mr. Yuen Siu Kei, a counsel in Hong Kong, to give an opinion on the Fanling Leased Properties. Our Directors were in the view that our Group was on the potential legal risks associated with using the Fanling Leased Properties as storage of construction machineries and parking space and the risks associated with potential breach of relevant tenancy agreements.

After our Directors became aware of the legal risks associated with the Fanling Leased Properties, our Group has started to look for suitable land for relocation and we have the following measures:

- (i) formulated and completed, a large-scale relocation plan to relocate all of the construction machineries placed on the Fanling Leased Properties;
- (ii) rented the Ma On Shan Site I, which has a size of 30,000 sq.ft. and the Ma On Shan Site II, which has a size of 52,000 sq.ft. and the permitted usage for these two pieces of land is for storage of construction machineries. For the Ma On Shan Site I, the tenancy commenced on 1 May 2015 and will expire on 13 March 2017. For the Ma On Shan Site II, the tenancy commenced on 8 August 2015 and will expire on 13 March 2017. Our Directors have consulted our Hong Kong legal advisers and were advised that there is no legal impediment to the usage of the Ma On Shan Site I and the Ma On Shan Site II for the storage of construction machineries; and
- (iii) relocated the construction machineries placed on the Fanling Leased Properties to the Ma On Shan Site I and the Ma On Shan Site II and returned the Fanling Leased Properties to the respective landlords as at the Latest Practicable Date.

As at the Latest Practicable Date, our Directors confirmed that no notice in relation to the Fanling Leased Properties has been received by our Group and the respective tenancy agreements of all of the Fanling Leased Properties have been terminated. In addition, our Group has already relocated all of the construction machineries formerly placed on the Fanling Leased Properties to either the Ma On Shan Site I or the Ma On Shan Site II and has completed the relocation plan. We have been advised by Mr. Yuen Siu Kei, a counsel in Hong Kong, that considering that our Group has terminated the respective tenancy agreements of Fanling Leased Properties, the chance of legal actions to be brought by relevant

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government authority and landlords is very slim. Besides, our Controlling Shareholders of our Company have agreed to indemnify our Group for any losses or damages arising from claims brought by the landlords in relation to the Fanling Leased Properties. Furthermore, as our Group has already completed the relocation plan and relocated all of the construction machineries to either the Ma On Shan Site I or the Ma On Shan Site II, our Directors are of the view that the legal risks associated with the Fanling Leased Properties have already been removed.

LEGAL PROCEEDINGS AND COMPLIANCE

Particulars of claims settled, pending or threatened involved our Group

As at the Latest Practicable Date, our Group has undergone one legal proceeding brought against us by our former customer (the “**Customer**”) in relation to a contractual dispute (the “**Legal Proceeding**”).

The Customer is a private company which has been engaged as subcontractor of a construction company (the “**Main Contractor**”) to perform certain pile removal works under the express rail link project (the “**Project**”) for a mass railway company. Our Group has since September 2010 entered a series of rental quotations with the Customer, for the supply of various heavy machinery including rotators, crawler cranes, truck cranes, casings and tools with or without operators and workers for the Project (the “**Rental Quotations**”). There developed disputes between the Customer and our Group with regard to rental payment under the Rental Quotations. The Customer had delayed in making payment to the invoices issued by our Group from April 2011 to February 2012. Our Group had repeatedly protested against such delay and demanded the Customer to settle the outstanding invoices. As the disputes on outstanding charges was not resolved, our Group issued a letter to the Customer accusing the latter of failing to provide any commitment on repayment, compensation of damaged equipment and rental period of equipment and informed the Customer that it had to terminate its service at the relevant site immediately. The Rental Quotations were subsequently terminated on 3 July 2012. The disputed sum claimed by our Group against the Customer was approximately HK\$12,502,000 and our Group commenced legal actions to recover the outstanding sums.

The Customer in turn commenced the Legal Proceeding against Chim Kee Machinery, being the contractual party to the Rental Quotations. A writ of summons dated 31 October 2012 was issued and a re-amended statement of claim dated 26 June 2014 was filed and served by the Customer as plaintiff against Chim Kee Machinery as defendant. The Customer alleged that Chim Kee Machinery has wrongfully terminated the Rental Quotations, challenged Chim Kee Machinery’s calculation of the rental payment in arrears and alleged that Chim Kee Machinery had overcharged them and based on the record shown in the palm print machines they had actually made overpayments in an earlier stage. On that base, the Customer claimed for an overall damages of more than HK\$100 million. On 16 July 2014, we have filed a re-amended defence and counterclaim for the outstanding rental payments and the relevant costs incurred by the Legal Proceeding to be paid by the Customer. As certain equipment including one set of casings and guard houses are still not returned to us and another set of casings and a soil tank returned by the Customer were found to be beyond repair, the outstanding rentals accumulated and extra replacement costs were incurred. Therefore, the sum of our counterclaim under the re-amended defence and counterclaim was increased to approximately HK\$17.5 million together with other unascertained damages to be claimed. The Legal Proceeding is currently awaiting trial.

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We have been advised by M. Ian Pennicott S.C., a senior counsel in Hong Kong, that after considering the evidence and the background facts in relation to the Legal Proceeding, the Customer's allegations and assertions are not cogent and convincing on the following basis:

- (i) pursuant to the Rental Quotations, the Customer has to make payment within 30 days of the date of an invoice and as at 3 July 2012, there was a substantial sum of outstanding rental payment overdue which entitled Chim Kee Machinery to validly terminate the Rental Quotations; and
- (ii) Chim Kee Machinery charged the Customer based on the worker's time recorded in the work bills, which were signed by the personnel of the Customer, and the work bills appear to be more accurate and reliable than the record shown in the palm print machines. Therefore, it is unlikely that the Customer can challenge the amount claimed in our invoices.

Furthermore, palm print machines are access control turnstiles which take the workers' entry/exit record. Our Directors consider that work bills are more accurate and reliable because (a) they were countersigned by the personnel of the Customer; (b) one worker could operate more than one machine during over-time period and work bills enable workers to charge over-time per machine used; (c) the use of palm print machines was not strictly enforced (due to machine malfunction and/or workers going through vehicle route without passing through the palm print machines); and (d) the use of work bills to calculate time used for rental machines is a common industry practice.

On this basis, Chim Kee Machinery will be most likely to succeed in the Legal Proceeding. Based on the legal opinion from Mr. Ian Pennicott S.C., our Directors are of the view that it is unlikely that the Customer will obtain a judgment in favour to them. Accordingly, no provision for claim in respect of the Legal Proceeding was made by our Group.

In relation to the Legal Proceeding, Tang J F T and Mr. James Tang, our Controlling Shareholders, have agreed to jointly and severally indemnify our Group against all losses, liabilities, costs, fees, expenses and fines suffered or incurred by us in relation to the Legal Proceeding initiated by the Customer. In addition, Mr. James Tang has obtained an undertaking from Mr. Tang Kan on an unconditional and irrevocable basis that Mr. Tang Kan will fully support Mr. James Tang financially to the extent that Mr. James Tang could fully discharge his obligations under the indemnity in connection with the Legal Proceeding. Mr. Tang Kan owns a considerable amount of cash and properties in Hong Kong and, as at the Latest Practicable Date, the value of the properties owned by Mr. Tang Kan exceeds the potential claim of the Legal Proceeding, and the Directors are of the view that Mr. Tang Kan has the financial means to support Mr. James Tang in discharging his obligations under the indemnity. Please refer to the section headed "Statutory and general information — Other information — Tax and other indemnities" in Appendix IV to this prospectus for more detailed information.

During the Track Record Period, our Group was involved in an appeal lodged by the Customer in relation to the claim of patent infringement (the "**Appeal**"). The Appeal related to the Project and similar series of incidents that led to the Legal Proceeding. Subsequent to Chim Kee Machinery's termination of its service to the Customer under the Rental Quotations, the Main Contractor also terminated its subcontract with the Customer and directly engaged Chim Kee Machinery to provide machinery and operators to continue the works using the method previously employed by the Customer, of which the Customer claimed to be a valid patent under a short term patent. The Customer thus commenced a legal proceeding against the Main Contractor and Chim Kee Machinery on 17 August

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2012 alleging that the Main Contractor and our Group had infringed its short term patent for a construction method for extracting building piles from the ground (the “**Patent**”). A judgment was entered in favour of our Group on 26 March 2014 where the Court of First Instance dismissed the Customer’s claim (the “**Judgment**”) on the following basis:

- (i) a short-term patent only shows that the application has satisfied certain minimum and formal requirements but does not confer validity on the Patent;
- (ii) the Patent was invalid due to insufficiency. The court found that certain essential particulars were missing from the specification of the Patent and had not been disclosed clearly enough for the method under the Patent to be performed by a person skilled in the art without undue burden;
- (iii) the Patent was invalid due to lack of novelty as the Customer had disclosed the method under the Patent to personnel involved in the Project and done nothing to protect the secrecy of the invention and did not regard the invention as confidential prior to the application of the short term patent;
- (iv) even if the Patent was found to be valid, Chim Kee Machinery did not infringe the Patent as it did not perform all the steps claimed in the Patent. It was only providing machinery for the works under the Project and its operators just performed the works according to the instructions given by the Main Contractor.

The Customer subsequently filed the Appeal against both the Main Contractor and Chim Kee Machinery on 23 April 2014 alleging that the trial judge in the Court of First Instance had erred in finding that the Patent was invalid due to a lack of clarity, the invention of the Patent being disclosed and insufficiency and that Chim Kee Machinery did not infringe the Patent.

As advised by Mr. Wong Bun Fai Philips, a counsel in Hong Kong, we had a reasonable prospect of success in the Appeal based on all the evidence and documents available at the previous trial, together with the Judgment and the Appeal itself. The trial judge in the Court of First Instance has ruled that the Patent was insufficient and there were lack of novelty and after considering the evidence and submissions of the parties, Mr. Wong Bun Fai Philips was of the view that the trial judge has come to the correct conclusion. In addition, he was unable to see how the Customer could prove that Chim Kee Machinery had committed all the claims in the Patent as alleged and without sufficient particulars, and he could not see how Chim Kee Machinery would be ruled as a joint tortfeasor. Based on such legal opinion, our Directors are of the view that it is likely that the Appeal brought by the Customer would be dismissed. Accordingly, no provision for claim in respect of the Appeal has been made by our Group. On 6 August 2015, the Court of Appeal dismissed the appeal brought by the Customer in favour of Chim Kee Machinery.

The legal fee incurred by our Group during the Track Record Period was approximately HK\$2.9 million and we estimate that the legal fee to be incurred from the Legal Proceeding will be approximately HK\$1.6 million. Since the services of the relevant legal counsel have not been performed as at 31 March 2015 in relation to the additional legal fee of approximately HK\$1.6 million as estimated, no provision for such additional legal fee has been made in FY2015. Our Directors consider that the amount of legal fee is not material and would not bring material adverse impact on our Group’s financial position.

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In addition to the Legal Proceeding and the Appeal, our Group had been involved in a number of claims, litigations and pending or threatened claims. The following claims are related to (i) non-compliance with statutory requirements relevant to our industry; (ii) personal injury; (iii) wage claims; and (iv) employment claim arising out of work related injuries. Set out below are the details of the pending or threatened claims and litigations involved our Group during the Track Record Period/as at the Latest Practicable Date and the material claims and litigations involved our Group that have been settled (whether by way of court judgment or settlement) during the Track Record Period and up to the Latest Practicable Date:

(a) Pending or threatened claims and litigations involved our Group (whether by way of court judgment or settlement) as at the Latest Practicable Date

Nature of incident	Case Number	Date of Settlement/ judgment	Name(s) of		Underlying causes	Amount settled/Remedy taken	Insurance coverage	Status
			Plaintiff(s)/ Applicant(s)/ Claimant(s)	Name(s) of the Defendant(s)/ Respondent(s)				
Personal injury	HCPI No. 777 OF 2013	Pending	Zhang Jie	Chim Kee Machinery	The claimant was a passenger on board a Light Rail train when one of our crane's boom fell on the Light Rail train near Tuen Mun Station.	Not Applicable	Not Applicable	Our insurance company and its legal representative have taken over conduct of the proceedings on our behalf and our insurance company has agreed to provide indemnity to us.

(b) Settled claims and litigations that involved our Group (whether by way of court judgment or settlement) during the Track Record Period and up to the Latest Practicable Date

Nature of incident	Case Number	Date of Settlement/ judgment	Name(s) of		Underlying causes	Amount settled/ Remedy taken	Insurance coverage	Status
			Plaintiff(s)/ Applicant(s)/ Claimant(s)	Name(s) of the Defendant(s)/ Respondent(s)				
Compliance incident with the provisions of Factories and Industrial Undertakings Ordinance (Chapter 59)	FLS5830 of 2014	9 February 2015	Labour Department	Chim Kee Machinery	We were accused of not complying with the statutorily required procedures when operating lifting equipment at our warehouse.	Not Applicable	Not Applicable	We were acquitted by order from the Fanling Magistrates' Court.
Wage claim	LR-36-2014-0665	25 June 2014	Mr. Cheung Wing Shing (張永誠) (crane operator)	Chim Kee	The claimant is a former employee who claimed "payment in lieu of notice".	HK\$200,000	Not applicable	Chim Kee has settled the claim with the Defendant.

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Nature of incident	Case Number	Date of Settlement/ judgment	Name(s) of Plaintiff(s)/ Applicant(s)/ Claimant(s)	Name(s) of the Defendant(s)/ Respondent(s)	Underlying causes	Amount settled/ Remedy taken	Insurance coverage	Status
Wage claim	LR-36-202-1692	9 November 2012	Mr. Wong Lai Man (黃禮文) (worker)	Chim Kee Machinery	The plaintiff was dismissed due to making persistent mistakes and claims for "payment in lieu of notice" and severance payment.	Not applicable	Not applicable	We wrote an explanation letter on 9 November 2012 to the Labour Department on the reason of dismissal and as at the Latest Practicable Date, we did not receive any further queries or notices from the Labour Department.
Employment claim	—	12 November 2012	Mr. Tam Yin Hing (譚賢興) (worker/ driver)	Chim Kee Machinery	The claimant suffered injury at work.	HK\$36,490	Employee compensation	Compensation paid to the employee and was covered by the employee compensation insurance.
Employment claim	—	12 January 2015	Mr. Leung Yiu Fai (梁耀輝) (worker)	Chim Kee Machinery	The claimant employee was struck in the head by a lifting equipment when assisting with the lifting of goods at the warehouse.	HK\$260,610	Employee compensation	Compensation paid to the employee and we have applied to the insurance company for coverage under the employee compensation insurance.

Our Directors are not involved in the above claims and litigations and are of the view that these claims and litigations would not have any material adverse impact on our Group.

Save as disclosed above, no member of our Group was involved in any claim, litigation or arbitration of material importance and no claim, litigation or arbitration of material importance that is known to our Directors would involve any member of our Group.

Non-compliance matters of our Group during the Track Record Period and as at the Latest Practicable Date

The table below sets out the summary of certain matters of our non-compliances with applicable laws and regulations during the Track Record Period and as at the Latest Practicable Date. Our Directors are of the view that these non-compliance matters, whether individually or collectively, will not have a material operational or financial impact on our Group, and we will disclose the progress of rectification in our interim and annual reports.

Relevant section(s) of the ordinance	Details of the non-compliance incident	Reason(s) for the non-compliance	Remedial action taken/to be taken	Legal consequence
Non-compliance with Section 52(4) of the Inland Revenue Ordinance (the “ IRO ”)	Failure to submit the notice (Form 56E) regarding commencement of employment of all employees which is required to be filed within three months after such commencement of employment until August 2014.	The omission was not wilful and due to the inadvertent oversight of the administrative staff responsible for employee records.	The relevant notices for all employees who commenced employment during and after the Track Record Period have been either subsequently filed or duly filed within the prescribed time limit.	Under Sections 52(4) and 80 of the IRO, the maximum penalty for the failure to file Form 56E is HK\$10,000 and the amount of fine would be taken into account the amount of salaries tax that was unable to recover in respective legal proceedings if any. As advised by Mr. Yuen Siu Kei, a counsel in Hong Kong, the chance of prosecution by the IRD against our Group would be very slim and in the event of prosecution, the amount of penalty would be insignificant on the basis that (i) our Group has filed the Employer’s Return of Remuneration and Pensions (Form 56B) annually, which advised the taxable salaries of all the employees each year and the IRD had confirmed that the information contained in Form 56B was accurate; and (ii) to the best of our Directors’ knowledge, all employees of our Group have fully reported their annual salaries to the IRD and duly paid their respective salaries taxes.

Relevant section(s) of the ordinance	Details of the non-compliance incident	Reason(s) for the non-compliance	Remedial action taken/to be taken	Legal consequence
Non-compliance with Section 52(5) of the IRO	Failure to submit the notice (Form 56F) regarding cessation of employment of all employees which is required to be filed within one month before the expected date of departure of such employee until November 2014.	The omission was not wilful and due to the inadvertent oversight of the administrative staff responsible for employee records.	The relevant notices for all employees who ceased to be employed by our Group during and after the Track Record Period have been either subsequently filed or duly filed within the prescribed time limit.	Under Sections 52(5) and 80 of the IRO, the maximum penalty for the failure to file Form 56F is HK\$10,000 and the amount of fine would be taking into account the amount of salaries tax that was unable to recover in respective legal proceedings if any. As advised by Mr. Yuen Siu Kei, a counsel in Hong Kong, the chance of prosecution by the IRD against our Group would be very slim and in the event of prosecution, the amount of penalty would be insignificant on the basis that (i) our Group has filed the Employer's Return of Remuneration and Pensions (Form 56B) annually, which advised the taxable salaries of all the employees each year and the IRD had confirmed that the information contained in Form 56B was accurate; and (ii) to the best of our Directors' knowledge, all employees of our Group have fully reported their annual salaries to the IRD and duly paid their respective salaries taxes.

Despite that our Group had failed to submit Form 56E and Form 56F to the IRD during the Track Record Period, we have filed Form 56B annually which contained the identity, employment period and salary of each employee employed by our Group in the respective year. Therefore, we believe that the IRD can rely on Form 56B for the computation of salaries tax and other tax payable by our employees and our Group completely and accurately. Besides, the IRD would normally make reference to and cross-check the information contained in the tax returns filed by the employees and the information in Form 56B, and as at the Latest Practicable Date, our Group has not received any complaint or notice from the IRD in relation to the failure of our employees to pay their salaries tax. Moreover, our Group has enquired with the employees and we have not discovered any failure of the employees to pay their salaries tax.

Based on the above, we are of the view and the Sole Sponsor concurs that (i) the employees had not suffered any losses from the non-compliance by our Group; (ii) the employees have fully disclosed their assessable income and duly paid all salary taxes to the IRD; and (iii) the IRD has not suffered any reduction in tax collected as a result of the non-compliance by our Group.

Relevant section(s) of the ordinance	Details of the non-compliance incident	Reason(s) for the non-compliance	Remedial action taken/to be taken	Legal consequence
—	Failure to observe compliance with government leases which were stated to be agricultural usage in the Fanling Leased Properties.	The breach was not willful and due to the inadvertent oversight of the administrative staff responsible for tenancy affairs and the absence of timely and professional advice during the material time.	As at the Latest Practicable Date, all of the respective tenancy agreements have been terminated. For details, please refer to the paragraph headed “Property” in this section.	The Planning Department or other relevant government authority may issue an enforcement notice to the landlords or us (as an occupier to the premises) to discontinue the usage and take steps as required. As advised by Mr. Yuen Siu Kei, a counsel in Hong Kong, since the respective tenancy agreements of Fanling Leased Properties have been terminated, the chance of any legal action being taken against our Group is very remote.

Our Group confirms that, as at the Latest Practicable Date, we had not received any such notice against our Group and, as advised by Mr. Yuen Siu Kei, a counsel in Hong Kong, we therefore had not attracted any criminal liability. Our Controlling Shareholders have given indemnity in favour of our Group pursuant to which that they will jointly and severally indemnify our Group for any losses or damages in respect of the Fanling Leased Properties.

Our Directors consider that the abovementioned non-compliance incident would not affect the suitability of our executive Directors under Rules 3.08 and 3.09 of the Listing Rules or the suitability of listing of our Company under Rule 8.04 of the Listing Rules and having taken into account the fact that (i) we have taken various internal control measures to avoid recurrence of the non-compliance incident, as set out in the paragraph headed “Legal proceedings and compliance — Internal control measures to prevent the recurrence of non-compliance incidents” in this section; (ii) no additional material non-compliance incident has taken place since these measures are taken; and (iii) the above non-compliance incident was unintentional, did not involve any fraudulent act on the part of our executive Directors and did not raise any question as to the integrity of our executive Directors.

The Sole Sponsor, after considering the above and having reviewed the internal control measures, concurs with the view of our executive Directors that (i) the various internal control measures adopted by us are adequate and effective; (ii) our executive Directors have the standard of integrity and competence commensurate with positions as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules; and (iii) the abovementioned non-compliance incidents would not affect the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules and the suitability of Listing of our Company under Rule 8.04 of the Listing Rules.

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

In order to continuously improve our Group's corporate governance and to prevent recurrence of the abovementioned non-compliances in the future, our Group has, pursuant to the recommendations made by CT Partners Consultants Limited ("CT Partners"), an independent internal control consultant engaged by us as disclosed in the paragraph headed "Review by CT Partners" below, adopted or will adopt the following measures:

1. Our Directors attended training sessions conducted by our Hong Kong legal advisers as to Hong Kong law on the on-going obligations and duties of a director of a company whose shares are listed on the Stock Exchange.
2. Mr. James Tang and our company secretary, Mr. Chan Man Kay, will be responsible for reviewing and updating our compliance policy and procedures on an annual basis for ensuring that the compliance policy and procedures are up to date in accordance with the regulatory requirements.
3. Since 15 December 2014, our company secretary, Mr. Chan Man Kay has been keeping and monitoring through a monthly filing register to ensure ongoing compliance to the IRO. Our company secretary will report to the audit committee in the future in the event of any non-compliance with the IRO. In addition, CT Partners will, on an annual basis, report to our audit committee on the compliance of the tax laws and regulations.
4. To ensure compliance with the government leases and other applicable laws and regulations regarding the tenancy affairs, our Board will:
 - (i) ensure all tenancy agreements to be reviewed by our Directors, our company secretary and our finance department;
 - (ii) be overseen by and seek assistance on an unpaid basis from our independent non-executive Director, Ms. Pang Yuen Shan Christina, who is a practising solicitor in Hong Kong;
 - (iii) consult external legal advisers before entering into any subsequent tenancy agreements if needed;
 - (iv) conduct search for permitted use of property before entering into any subsequent tenancy agreements; and
 - (v) obtain necessary consent/approval from the landlords.
5. We have engaged RHB Capital as our compliance adviser upon Listing to advise us on compliance matters in accordance with the Listing Rules.
6. We will further engage Mr. Kwok Ho as our compliance officer to ensure all internal control policies and procedures can be fully implemented.
7. All of our management and staff are required to report to and/or notify our compliance officer promptly of any non-compliance or potential non-compliance events.

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8. All of our management and staff are required to follow strictly our internal guidelines in particular to the issue of occupational health and work safety. For details of our internal guidelines and procedures over occupational health and work safety, please refer to the paragraph headed “Occupational health and work safety” in this section.
9. Our Group will consider to seek professional advice and assistance from independent internal control consultants, external legal advisers and/or other appropriate independent professional advisers with respect to matters related to our internal controls and compliance when necessary and appropriate.

Review by CT Partners

On 12 June 2014, we engaged CT Partners, an independent internal control consultant, to perform a detailed evaluation under the Committee of Sponsoring Organisations of the Treadway Commission’s 2013 framework of the adequacy and effectiveness of our Group’s internal control system including the areas of financial, operation, compliance and risk management. CT Partners would then consider and comment on the designs and implementation of internal control procedures in these areas. Following such review and evaluation performed by CT Partners, our Group has implemented all of the recommendations given by CT Partners on our internal control system.

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

In relation to the non-compliance incidents mentioned above, CT Partners has reviewed and provided recommendations to our internal control designs and implementation of these procedures for preventing the recurrence of the above-mentioned non-compliance incidents. Key measures adopted and to be adopted by our Group pursuant to the recommendations of CT Partners are disclosed in the paragraph headed “Legal proceedings and compliance — Internal control measures to prevent the recurrence of non-compliance incidents” in this section. Such review and evaluation were conducted by CT Partners through review of policies and procedures, minutes, reports, organisational charts and other supporting documentation, as well as performing of selected walk-throughs. Shall there be any internal control deficiencies, risks and weaknesses identified in the designs and implementation of the policies and procedures adopted by our Group, CT Partners would provide recommendations accordingly.

On 11 May 2015, CT Partners performed follow up review by reviewing the relevant documents and conducting subsequent walk-through procedures in this connection and the result of the follow up review was that our Group did not have significant deficiencies in both our internal control designs as well as their implementation and operational effectiveness for preventing the recurrence of the abovementioned non-compliance incidents. According to the result of the follow up review by CT Partners, our Directors confirm that our Group did not have significant deficiencies in our internal control designs as well as their implementation and operational effectiveness for preventing the recurrence of the abovementioned non-compliance incidents as at the Latest Practicable Date.

RISK MANAGEMENT

Risk management policies and procedures

Our Directors have confirmed that during the ordinary course of our Group's rental of construction machinery, trading of new or used construction machinery and parts, and transportation services, our Group is primarily exposed to (i) control risks relating to our Group's overall monitoring system; (ii) regulatory risks in relation to our Group's business; (iii) operational risks in relation to our Group's business; (iv) credit risks relating to accounts receivable; and (v) market risks.

The key risks of our Group's business and the mitigating internal control procedures are set out below:

Control risk management

Control risk including the risks of inappropriate and inconsistent adaptation of practices, failure to detect unethical behaviours, wrong doings or potential frauds and unauthorised access to confidential information that a material misstatement could occur and will not be prevented or detected and corrected on a timely basis by our Group's internal control system. In order to mitigate such risk, our Group has established comprehensive staff handbook, internal control manual and compliance manual which shall be observed by the Directors and employees of our Group. Each department shall be responsible for making all relevant staff aware of the abovementioned manuals and for ensuring compliance with their respective principles.

Regulatory risk management

Upon Listing, our Group will be exposed to the risks of non-compliance with the applicable laws and the Listing Rules in effect from time to time. Our Group will appoint Mr. Kwok Ho as the compliance officer prior to Listing who is responsible for updating the context of compliance manual at least annually and distributing to all Directors and employees of our Group about any amendments to the Listing Rules.

All Directors and employees of our Group are required to acknowledge their understanding of the staff handbook, internal control manual and compliance manual at least annually. Our Group will also retain a legal adviser to advise it on compliance with applicable Hong Kong laws and regulations and a compliance adviser to advise our Group on compliance with the Listing Rules.

Operational risk management

Supervisors of our Group are responsible for monitoring the operation and assessing the operational risks. They are responsible for implementing our Group's risk management policies and procedures. Supervisors will report any irregularities in connection with the operation of the projects to our Directors and seek for directions.

Our Group emphasises on ethical value and prevention of fraud and bribery. Our Group has established whistleblower programme, including communication with other department and business units, to report any irregularities.

Credit risk management

Our Group is exposed to credit risks in relation to the collectability of our trade receivables, which will cause a financial loss to our Group due to failure to discharge the payment obligation by the counterparties. To control and mitigate such risk, our Group has formulated procedures to review and monitor the customer portfolio from time to time, which include (i) checking our internal record regarding the payment history of the customers; (ii) conducting company search, litigation search and credit search for new customers. Our Group has also laid down procedures in relation to the material overdue payments, which include (i) closely monitoring the material overdue payments; (ii) evaluating the risk level on a case-by-case basis having taken into account our relationship with respective customer, payment history, financial position, and general economic environment; and (iii) designing appropriate follow-up actions (for example, making phone calls, issuing demand letters, visiting customer's office and initiating legal proceedings or actions).

Accounts receivable ageing report is reviewed by our senior finance manager on a monthly basis. Where the accounts receivable balances are unsettled within the agreed credit terms, it will be classified as overdue; upon the accounts receivable past due over 7 days, our accountant is responsible to the follow up procedure by phone calls. Upon past due over 30 days our Directors will communicate with client's senior management for debt collection by sending email, statements or reminder. If there is no response after the follow-up action, the case will be referred to lawyers for further handling. In case that write-off or provision for bad debt is required, provision for bad debt or written off will be approved by the management.

As at Latest Practicable Date, our Group has adopted the following hedging policy:

Setting/approving position limits and counterparty limits

The finance department was allowed to enter into forward contract to hedge against the fluctuation of JPY or EUR against HK\$. We have limited our hedging exposure to be the trading activities. Our Group has not used and will not use any hedging contracts to engage in speculative activities. Details of the corresponding confirmed orders had to be recorded and reviewed by the risk management committee. Such application has to be supported by relevant reasons and analyses on market figures and trends. All the forward purchases would be handled by finance department and subject to approval by the risk management committee;

Monitoring value at risks

On a monthly basis, the finance department would prepare a mark-to-market calculation over the outstanding position of all forward purchases for review by the senior finance manager. The risk management committee would comment on the performance in its monthly review meeting and make recommendation on the hedging activities (where necessary).

Further details on our financial risk management policies and practices are set out in Note 35 to the financial information in the Accountant's Report.

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Market risk management

Our Group is exposed to general market risks related to changes in macroeconomic environment and movements in market variables such as gross domestic product, interest rates, and other market changes. Our Directors are responsible for monitoring activities in the market to identify and assess the potential risks and from time to time formulate policies to mitigate these market risks.

On-going measures to implement the risk management policies

In the past, our Group did not have detailed written policies for our internal control and risk management. In order to continuously improve our Group's internal control and risk management system in the future, our Group has established an on-going process for identifying, evaluating and managing the significant risks faced by our Group. The key procedures that our Group has established and implemented are summarised as follows:

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

CORPORATE GOVERNANCE

Our Controlling Shareholders and their respective close associates may not compete with us as provided in the Deed of Non-competition. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

- (a) a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his close associates have a material interest nor shall such Director be counted in the quorum present at the meeting;
- (b) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself from the board meetings on matters involving the Robinson JV and our Group and/or matters in which such Director or his close associates have a material interest;
- (c) we are committed that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment

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and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Our Board should be responsible for overseeing the implementation of the risk management policies and procedures adopted or to be adopted by our Group. Details of our independent non-executive Directors are set out in the section headed “Directors, senior management and employees — Directors — Independent non-executive Directors” in this prospectus;

- (d) we have appointed RHB Capital as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors’ duties and corporate governance; and
- (e) we will establish the risk management committee which will comprise two independent non-executive Directors and one executive Director. The finance department would provide relevant information on the hedging activities (for example, amount of forward contract, date of contract, etc.) to the risk management committee which would hold monthly meetings to review whether the hedging policy has been complied with. We would disclose in our annual report the risk management committee’s confirmation on whether our Group has complied with its hedging policy.

Further, any transaction that is proposed between our Group and/or our Controlling Shareholders and their respective close associates will be required to comply with the requirements of the Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders’ approval requirements.

None of the members of our Group has experienced any dispute with its shareholders or among its shareholders themselves and our Directors believe that each member of our Group has maintained positive relationship with its shareholders. With the corporate governance measures including the measures set out in the section headed “Relationship with our Controlling Shareholders — Corporate governance measures” in this prospectus, our Directors believe that the interest of our Shareholders will be protected.

Views of our Directors and the Sole Sponsor

As set out in the paragraphs headed “Occupational health and work safety” and “Legal proceedings and compliance — Non-compliance matters of our Group during the Track Record Period and as at the Latest Practicable Date” in this section, our Group has laid down and implemented detailed internal control and corporate governance measures to monitor ongoing compliance with the relevant laws and regulations to prevent the occurrence of any non-compliance in the future. Our Directors believe that the corporate governance and internal control measures could effectively ensure a proper internal control system and maintain good corporate governance practices of our Group, and the additional work safety measures are adequate and effective. In view of the measures in place, our Directors are of the view, and the Sole Sponsor concurs, that these systems are sufficient and effective to ensure ongoing compliance with the relevant laws and regulations by our Group.

Our Directors are of the view, and the Sole Sponsor concurs, that the past non-compliance incidents, claims and litigations do not involve any dishonesty on the part of our Directors or cast any doubt on their integrity or competence and do not affect their suitability to act as our Directors under Rules 3.08 and 3.09 of the Listing Rules.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued under the exercise of any of the Adjustment Options or any options that may be granted under the Share Option Scheme), Mr. Tang Kan and Tang J F T (an investment holding company owned by the Active Shareholders which has not commenced any substantial business activities as at the Latest Practicable Date) will each control more than 30% of our Company's issued share capital. For the purpose of the Listing Rules, Mr. Tang Kan and Tang J F T, are our Controlling Shareholders.

Mr. James Tang, the son of Mr. Tang Kan, who took over the leadership of our Group since May 1994, has been responsible for the daily management of our Group and, as a practical matter, is in a position to control the composition of a majority of our Board, is considered to be a Controlling Shareholder.

Save as otherwise disclosed, each of our Controlling Shareholders confirms that he/it does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with the business of our Group. All of the construction machinery businesses including rental of construction machineries, trading of new construction machineries and parts, used construction machineries and transportation services that are under common control have been injected into our Group.

INDEPENDENCE OF OUR GROUP

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

(i) Financial independence

Our Group has an independent financial system and makes financial decisions according to the business needs. As at 31 March 2015, the amount due from director is HK\$1,125,000 and the sum will be settled before the Listing. In addition, all of the personal guarantees executed by Mr. James Tang and his associates in favour of our Group will be released before Listing. Our Group has sufficient capital to operate its business independently, and has adequate internal resources and credit profile to support our daily operations.

(ii) Operational independence

Our Group has established our own organisational structure comprising individual departments, each with specific areas of responsibilities. Our Group has not shared our operational resources, such as suppliers, customers, marketing, sales and general administration resources with our Controlling Shareholders and/or their associates. Our Directors are of the view there is no operational dependence on our Controlling Shareholders.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

In view of the related parties' transactions during the Track Record Period as disclosed in Note 32 to the Accountant's Report in Appendix I to this prospectus, Mr. James Tang has disposed each of King Era Industrial Limited, L B Machinery Co Ltd and Minji Machinery Ltd to independent third parties. For Link Bright Consultants Limited, all of the machineries owned by it have been disposed to our Group and it will not carry out any competing business. Besides, our Group has set up its own subsidiary by acquiring Hightion in order to capture business activities in Macau and CHIM K SOCIEDADE UNIPESSOAL, LDA, will not carry on operation and Mr. James Tang will arrange for winding up of the same. All these arrangements were made to avoid potential conflict of interest and competition with our Group. And for Profit Principle, it is an investment holding company and does not engage in any business that is in direct competition with our Group.

As at the Latest Practicable Date, Mr. James Tang was still a director and a shareholder of Robinson-Chim Kee Joint Venture Limited ("**Robinson JV**"), but only one machinery is held by Robinson JV and the estimated turnover generated from Robinson JV is insignificant. Mr. James Tang has reached a consensus with the shareholder of Robinson JV that he will dispose his shares within one year after the Listing. Our Directors do not anticipate our Group will enter into any transactions with Robinson JV after Listing.

Our Directors consider that Mr. James Tang has taken all practicable steps to avoid competition with our Group and that Mr. James Tang will enter into a deed of non-competition with our Group, they are satisfied that Mr. James Tang will not be engaged into material competition with our Group. Details of the deed of non-competition are set out in the paragraph headed "Non-competition undertaking" in this section.

Despite the fact that some of the top five suppliers during the Track Record Period (including King Era Industrial Limited and Link Bright Consultants Limited) were entities previously owned by Mr. James Tang, or that the machineries were owned by Mr. James Tang, the percentages of purchase from these entities were not significant compared to the total purchase of our Group (ranging from 4.4% to 5.2% for FY2013, 4.0% for FY2014 and nil for FY2015). Our Group has acquired all the machines from Link Bright Consultants Limited and there is no reliance on it for the supply of machineries going forward. In addition, our Directors are of the view that our Group with its long history and well established networks and reputation would be able to locate new suppliers without any obstacles.

In view of the measures and arrangements on the disposal of interest in related parties and to consider the operations of our Group as a whole, our Directors are of the view that there is no operational dependence on our Controlling Shareholders.

(iii) Management independence

Our Company aims at establishing and maintaining a strong and independent Board to oversee our Group's business. The main function of our Board includes the approval of its overall business plans and strategies, monitoring the implementation of these policies and strategies and the management of our Company. Our Company has an independent management team, which is led by a team of senior management with substantial experience and expertise in its business, to implement our Group's policies and strategies.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Our Board consists of five Directors, comprising two executive Directors and three independent non-executive Directors. Mr. James Tang is the Chairman and executive Director of our Company and he is also the director of Tang J F T. Mr. James Tang is the only overlapping director between our Group and our Controlling Shareholders and none of the other Directors nor members of senior management hold any directorship or position in Tang J F T.

Each of our Directors is aware of his fiduciary duties as a director which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest to exist. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and the Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meeting in respect of such transactions and shall not be counted in the quorum. In addition, the senior management team of our Group are independent from our Controlling Shareholders. Our Directors are of the view that our Board and senior management are capable of managing our Group's business independently from our Controlling Shareholders.

RULE 8.10 OF THE LISTING RULES

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

NON-COMPETITION UNDERTAKING

In order to avoid any possible future competition between our Group and our Controlling Shareholder, Tang J F T, Mr. Tang Kan and Mr. James Tang (each a “**Covenantor**” and collectively the “**Covenantors**”) have entered into the Deed of Non-competition with our Company (for itself and for the benefit of each other member of our Group) on 23 October 2015. Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to our Company (for itself and as trustee for its subsidiaries) that, during the period that the Deed of Non-competition remains effective, he/it shall not, and shall procure that his/its associates (other than any member of our Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of our Group.

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

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Our Group shall only exercise the right of first refusal upon the approval of all the independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of our Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal. As at the Latest Practicable Date, Mr. James Tang holds 50% of the share capital of Robinson JV, a private company incorporated in Hong Kong engaged in machinery rental business. The remaining shares of Robinson JV were held by our Independent Third Parties. To avoid potential competition with our Group, Mr. James Tang has, in addition to the covenants set out in the Deed of Non-competition, given an undertaking that he will dispose of his interest in the Robinson JV within one year after Listing.

The undertakings contained in the Deed of Non-competition are conditional upon the Listing Division granting approval for the listing of and permission to deal in the Shares on the Stock Exchange and all conditions precedent under the Underwriting Agreements having been fulfilled (or where applicable, waived) and the Underwriting Agreements not having been terminated in accordance with their terms. If any such condition is not fulfilled on or before the date falling 30 days after the date of this prospectus (or if such date is not a Business Day, the immediate preceding Business Day), the Deed of Non-competition shall lapse and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed of Non-competition.

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

CORPORATE GOVERNANCE MEASURES

To avoid potential conflicts of interest, our Group will implement the following measures:

- (a) a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his close associates have a material interest nor shall such Director be counted in the quorum present at the meeting;
- (b) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself from the board meetings on matters involving Robinson JV and our Group and/or matters in which such Director or his close associates have a material interest;
- (c) we are committed that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our public

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Shareholders. Details of our independent non-executive Directors are set out in the section headed “Directors, senior management and employees — Directors — Independent non-executive Directors” in this prospectus;

- (d) we have appointed RHB Capital as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors’ duties and corporate governance; and
- (e) we have established the risk management committee which comprised two Independent Non-Executive Directors and one Executive Director. The finance department would provide relevant information on the hedging activities (for example, amount of forward contract, date of contract, etc.) to the risk management committee which would hold monthly meetings to review whether the hedging policy has been complied with. We would disclose in our annual report the risk management committee’s confirmation on whether our Group has complied with its hedging policy.

CONNECTED TRANSACTIONS

CONNECTED PERSONS

Mr. Tang Kan is a connected person of our Company by virtue of his shareholding in our Company. Profit Principle is a company that Mr. Tang Kan's spouse, Ms. Leung Lay Wen Lana, owns more than 30% of the issued share capital, it is regarded as an associate of Mr. Tang Kan and is also a connected person under Rule 14A.12(1)(c) of the Listing Rules.

The following transactions have been carried out by our Group and its connected persons before the Listing and are expected to be continued following the Listing.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

Lease Agreement A

On 1 January 2015, our Group entered into a lease agreement (“**Lease Agreement A**”) with Profit Principle, pursuant to which Profit Principle as landlord agreed to lease a property located at 1/F, Block Front, 438 Nathan Road, Yau Ma Tei, Kowloon, Hong Kong (the “**Premises**”) with a gross area of approximately 100 sq.ft. to our Company as tenant at a monthly rental of HK\$4,000 (exclusive of rates, utility charges, administrative expenses and management fees) for a period of three years commencing from 1 January 2015. The Premises is occupied by our Group as office for daily administrative purposes.

Given that Profit Principle is a connected person of our Group, Lease Agreement A constitutes a continuing connected transaction of our Company under the Listing Rules.

Asset Appraisal Limited, an independent professional valuer, has reviewed Lease Agreement A and confirmed that the rental payable under Lease Agreement A is at the market rents for similar premises in similar location at the time of the commencement of Lease Agreement A. The annual rent under Lease Agreement A was determined with reference to the prevailing market rate for the lease of properties of similar standard in neighbouring areas of the Premises.

As the applicable percentage ratios for this transaction are less than 5% and the annual consideration is less than HK\$3,000,000, the transactions under Lease Agreement A are fully exempt from all requirements under Chapter 14A of the Listing Rules.

For each of the three years ending 31 March 2017, the proposed annual cap amount for the aggregate consideration payable by our Group under Lease Agreement A will be HK\$12,000, HK\$48,000 and HK\$48,000 respectively. Such annual cap amount is estimated based on the rental payable by our Group to the landlord which is our connected person as stipulated under Lease Agreement A.

CONNECTED TRANSACTIONS

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) consider that it is in the interests of our Company to continue with these continuing connected transactions after the Listing. They also consider that all the continuing connected transactions as set out above are in the interests of our Company and our Shareholders as a whole and are in the ordinary and usual course of our business. Our Directors are also of the view that the continuing connected transaction above was entered into on normal commercial terms and the annual caps are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

Save as disclosed in this section, our Directors currently do not expect that immediately following the Listing, there will be any transaction which will constitute a continuing connected transaction of our Company under the Listing Rules.

RELATED PARTY TRANSACTIONS

During the Track Record Period, our Group entered into certain related party transactions, details are set out in Note 32 to the Accountant's Report in Appendix I to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

BUSINESS STRATEGIES AND FUTURE PLANS

For details of our business strategies and future plans, please refer to the section headed “Business — Business strategies and future plans” in this prospectus.

USE OF PROCEEDS

Our Directors consider that net proceeds from the Share Offer are crucial for financing our Group’s business strategies. Our Directors estimate that the net proceeds from the Share Offer which we will receive (after deducting estimated expenses payable by our Group in connection with the Listing) will be approximately HK\$47.1 million based on an Offer Price of HK\$0.40 per Offer Share (being the mid-point of the Offer Price range between HK\$0.32 and HK\$0.48 per Offer Share, round to the nearest cent, assuming none of the Adjustment Options is exercised). It is at present intended that the net proceeds will be applied as follows:

- approximately HK\$30.7 million, representing approximately 65.2% of the estimated net proceeds, for the expansion of our construction machinery rental fleet;
- approximately HK\$8.9 million, representing approximately 18.9% of the estimated net proceeds, for recruitment of operations staff;
- approximately HK\$2.8 million, representing approximately 5.9% of the estimated net proceeds, for the introduction of centralised digital fleet management system; and
- the balance of approximately HK\$4.7 million, representing approximately 10.0% of the estimated net proceeds, for working capital of our Group.

If the Offer Price is set at the high-end of the indicative Offer Price range at HK\$0.48 per Offer Share (assuming none of the Adjustment Options is exercised), the net proceeds from the Share Offer which we will receive will increase to approximately HK\$59.7 million. If the Offer Price is set at the low-end of the indicative Offer Price range at HK\$0.32 per Offer Share (assuming none of the Adjustment Options is exercised), the net proceeds from the Share Offer which we will receive will decrease to approximately HK\$34.4 million. If the Offer Price is finally determined to be less than HK\$0.40 per Offer Share (being the mid-point of the indicative range of the Offer Price, rounded to the nearest cent), our Group will reduce the proposed use of net proceeds on a pro-rata basis and will finance such shortfall by internal cash resources, working capital and/or other financing, as and when appropriate. If the Offer Price is finally determined to be more than HK\$0.40 per Offer Share, our Group will increase the proposed amounts of net proceeds based on a pro-rata basis.

If any of the Adjustment Options is exercised in full, the additional net proceeds received from the offer of the additional Shares allotted and issued will be allocated in accordance with the above allocations on a pro-rata basis. For details of the Adjustment Options, please refer to the section headed “Structure and conditions of the Share Offer” in this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

To the extent that the net proceeds from the Share Offer are not immediately required for the above purposes, it is the present intention of our Directors that such net proceeds will be placed as short-term deposits with authorised banks and/or financial institutions in Hong Kong. Our Directors consider that the net proceeds from the Share Offer together with the internal resources of our Group will be sufficient to finance the implementation of our Group's business plans as set out in the section headed "Business — Business strategies and future plans" in this prospectus.

Investors should be aware that any part of the business plans of our Group may or may not proceed according to the timeframe as described under the section headed "Business — Business strategies and future plans" in this prospectus due to various factors such as changes in customers' demand and changes in market conditions. Under such circumstances, our Directors will evaluate carefully the situations and will hold the funds as short-term deposits in authorised banks and/or financial institutions in Hong Kong until the relevant business plan materialises.

We estimate that the net proceeds to the Selling Shareholder from the Sale Shares (after deduction of proportionate underwriting fees and estimated expenses payable by our Selling Shareholder in relation to the Share Offer, and assuming an Offer Price of HK\$0.40 per Offer Share, being the mid-point of the indicative Offer Price range) will be approximately HK\$23.5 million. Our Company will not receive any of the proceeds from the sale of the Sale Shares.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS

Our Board currently consists of five Directors, comprising two executive Directors and three independent non-executive Directors. The following table sets forth information regarding our Directors:

Name	Age	Date of appointment as Director	Date of joining our Group	Position/Title	Roles and responsibilities
Mr. TANG Yiu Chi James (鄧耀智)	47	24 September 2014	20 June 1989	Chairman and executive Director	Overall strategic management and development of our Group's business operations, marketing and business development, finance and administration
Mr. KWOK Ho (郭皓)	46	11 December 2014	1 August 2014	Chief Executive Officer and executive Director	Overseeing our Group's operation, business development, finance and administration
Mr. KWONG Ping Man (龐炳文)	51	23 October 2015	23 October 2015	Independent non-executive Director	Serving on the Audit Committee, the Remuneration Committee and the Nomination Committee, and providing independent judgment on the issues of strategy, performance, resources and standard of conduct of our Company
Mr. CHU Wai Wa Fangus (朱偉華)	48	23 October 2015	23 October 2015	Independent non-executive Director	Serving on the Audit Committee, the Remuneration Committee and the Nomination Committee, and providing independent judgment on the issues of strategy, performance, resources and standard of conduct of our Company
Ms. PANG Yuen Shan Christina (彭婉珊)	43	23 October 2015	23 October 2015	Independent non-executive Director	Serving on the Audit Committee, the Remuneration Committee and the Nomination Committee, and providing independent judgment on the issues of strategy, performance, resources and standard of conduct of our Company

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Executive Directors

Mr. TANG Yiu Chi James (鄧耀智), aged 47, is our Chairman and executive Director and a Controlling Shareholder. Mr. Tang is responsible for the overall strategic management and development of our Group's business operations, marketing and business development and finance and administration. Mr. Tang was appointed as the director of Chim Kee in June 1989 and he took over the leadership of our Group in May 1994. Mr. Tang has 25 years of experience in the rental and trading of construction machines. Mr. Tang obtained a Bachelor of Science degree in aerospace engineering from the Syracuse University in May 1991 and has been serving our Group since his graduation.

Mr. Tang is a director of all subsidiaries of our Company. Mr. Tang is the son of Mr. Tang Kan, a substantial shareholder of our Company.

Mr. KWOK Ho (郭皓), aged 46, is our Chief Executive Officer and executive Director. Mr. Kwok is responsible for overseeing our Group's operation, business development, finance and administration. Mr. Kwok was appointed as our Director on 11 December 2014. Mr. Kwok has over 20 years of experience in marketing and he joined our Group as project director in August 2014. Mr. Kwok obtained a Bachelor of Business Administration degree from the Chinese University of Hong Kong in May 1992 and a Master of Business Administration degree and a Master of Business Informatics from Erasmus Graduate School of Business in March 1996. Before joining our Group, he worked for Korean Air as cargo marketing supervisor from July 1992 to March 1994 and worked for Federal Express from August 1996 to March 2009 and his last position was marketing manager. Mr. Kwok also worked for the Chinese University of Hong Kong as the director of alumni & corporate affairs of the faculty of business from September 2009 to August 2011 and Augen Consulting as director from September 2011 to June 2014.

Independent non-executive Directors

Mr. KWONG Ping Man (鄺炳文), aged 51, is our independent non-executive Director. He was appointed to our Board on 23 October 2015. He has over 17 years of experience in accounting and administration. He is the managing director of O'park Corporate Services Ltd., a company primarily engaged in corporate consulting service such as providing accounting and company secretary services, since May 2007.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Kwong's primary working experience also includes:

Name of organisation	Principal business activity	Position and roles and responsibilities	Period of service
China Agroforestry Low-Carbon Holdings Limited (formerly known as "Jiangchen International Holdings Limited") (<i>a company listed on the Main Board (stock code: 1069)</i>)	Manufacturing and wholesaling of OEM products and manufacturing and sales of branded products	Company secretary	September 2009 – June 2013
Sinogreen Energy International Group Limited (formerly known as "Karce International Holdings Company Limited") (<i>a company listed on the Main Board (stock code: 1159)</i>)	Trading of conductive silicon rubber keypads	Financial controller and company secretary	June 2008 – January 2009
Polyard Petroleum International Group (formerly known as "Kanstar Environmental Paper Products Holdings Limited" until 2003) (<i>a company listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8011)</i>)	Exploration, exploitation and development of oil, natural gas and coal, and trading of petroleum-related products	Financial controller and company secretary	March 2006 – July 2007
Sinobest Technology Holdings Limited	Investment holding, provides computer and network system integration, building integration, application software development, and technical services in the People's Republic of China	Chief financial officer	September 2000 – April 2003

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name of organisation	Principal business activity	Position and roles and responsibilities	Period of service
The World Enterprise (Holdings) Limited	Manufacturing and retailing business of jewellery, optical and fashion	Accountant	February 1997 – November 1998
Utilux (Asia) Limited	Manufacturing and trading of electronic connector	Accountant	October 1992 – November 1994

Mr. Kwong graduated from Curtin University of Technology in Australia with a Bachelor of Commerce in Accounting in August 1996. He obtained a Postgraduate Diploma in Corporate Administration and a Master of Professional Accounting degree from the Hong Kong Polytechnic University in November 1998 and November 2003, respectively. He is also a certified practising accountant of the Australian Society of Certified Practising Accountants, a fellow member of the Hong Kong Institute of Certified Public Accountants, an associate member of The Hong Kong Institute of Company Secretaries and The Institute of Chartered Secretaries and Administrators.

In the three years preceding the date of this prospectus, Mr. Kwong has held the following directorships in listed companies:

Name of Company	Principal business activity	Position	Period of service
Elegance Optical International Holdings Limited <i>(a company listed on the Main Board (stock code: 907))</i>	Manufacturing and trading of optical frames, sunglasses and optical cases	Independent non-executive Director	Since May 2014
Tang Palace (China) Holdings Limited <i>(a company listed on the Main Board (stock code: 1181))</i>	Restaurant operations and food production	Independent non-executive Director	Since March 2011
Century Sunshine Ecological Technology Holdings Limited <i>(a company listed on the Main Board (stock code: 509))</i>	Fertiliser business, magnesium product business and metallurgical flux	Independent non-executive Director	Since September 2004
Jiu Rong Holdings Limited <i>(formerly known as “Mitsumaru East Kit (Holdings) Limited”) (a company listed on the Main Board (stock code: 2358))</i>	Design, assembly and installation of water metre and TV Business	Independent non-executive Director	March 2009 – December 2012
China Candy Holdings Limited <i>(a company listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8182))</i>	Manufacturing of candies	Independent non-executive Director	Since November 2015

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. CHU Wai Wa Fangus (朱偉華), aged 48, is our independent non-executive Director. He was appointed to our Board on 23 October 2015.

Mr. Chu has worked in American Express International Inc from July 1991 to August 1997. Mr. Chu joined Excellent Management Limited in August 1997, a regional technology company specialising in software application development, project management and business process re-engineering and is the director and the chief financial controller of the company, responsible for its management and financial matters. Mr. Chu had been an independent non-executive director, a member of the audit committee and the remuneration committee of Century Sunshine Group Holdings Limited (Stock Code: 509) (formerly known as Century Sunshine Ecological Technology Holdings Ltd.), a company listed on the Main Board of the Stock Exchange from 9 July 2008 to 1 July 2010. Mr. Chu is currently an independent non-executive director of China Candy Holdings Limited (stock code: 8182). Save as disclosed herein, Mr. Chu has not been a director of any listed companies over the past three years.

Mr. Chu obtained a bachelor's degree with first class honours in accountancy from The City University of Hong Kong (formerly known as City Polytechnic of Hong Kong) in December 1994, and received a master of science degree in global business from The Chinese University of Hong Kong in October 2005. He is admitted as a certified public accountant of the Hong Kong Institute of Certified Public Accountants in February 1994 and a member of the Chartered Association Certified Accountants in October 1993.

Ms. PANG Yuen Shan Christina (彭婉珊), aged 43, is our independent non-executive Director. She was appointed to our Board on 23 October 2015. Ms. Pang obtained a Bachelor of Laws with Honours (LLB) from City University of Hong Kong in 1995, a Master of Laws in International & Commercial Law (LLM) from University of Sheffield, UK in 1996 and a Postgraduate Certificate in Laws (PCLL) from City University of Hong Kong in 1997 and is a member of The Law Society of Hong Kong. Ms. Pang has been a practising solicitor in Hong Kong since 1999 and is currently the solicitor of a law firm in Hong Kong. Ms. Pang was an independent non-executive director of Dejin Resources Group Limited (stock code: 01163) from May 2011 to December 2014 and has been an independent non-executive director of Talent Property Group Limited (stock code: 760) from January 2012 to December 2015. In addition, Ms. Pang has been acting as independent non-executive director of Speedy Global Holdings Limited (stock code: 540) since December 2012.

Save as disclosed, each of our Directors confirms with respect to him or her that: (i) he or she has not held any directorships in the three years preceding the date of this prospectus in any companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) he or she does not have any relationship with any other Directors, senior management or substantial shareholders of our Company; (iii) he or she does not hold any positions in our Company or any other members of our Group; (iv) he or she does not have any interests in the Shares within the meaning of Part XV of SFO; (v) there was no information required to be disclosed under Rule 13.51(2)(h) to (v) of the Listing Rules in relation to his or her appointment; and (vi) there are no other matters that need to be brought to the attention of our Board and Shareholders.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

SENIOR MANAGEMENT

The following table sets forth certain information of the senior management of our Group:

Name	Age	Date of joining our Group	Date of appointment as present position	Present position	Roles and responsibilities
Mr. KWOK Shu Yan (郭樹仁)	46	April 2002	April 2004	Marketing manager	Leading the marketing team to handle marketing activities and promote brand awareness
Mr. LAM Shu Kee (林樹基)	61	December 2005	December 2005	Marketing manager	Leading the marketing team to handle marketing activities and promote brand awareness
Ms. YUEN Lai Ming (袁麗明)	42	July 1999	October 2014	Administrative manager	Managing the office administration
Mr. LAW Ka Ho (羅嘉豪)	33	July 2014	December 2014	Financial controller	Overseeing and enhancing the accounting function of our Group's accounts and finance department

Mr. KWOK Shu Yan (郭樹仁), aged 46, was appointed as the marketing manager of our Group in April 2004. Mr. Kwok is primarily responsible for leading the marketing team to handle marketing activities and promote brand awareness. Mr. Kwok completed his secondary education (up to the Hong Kong Certificate Education Examination level) in Hong Kong in June 1986. Mr. Kwok has over 13 years of experience in Sales and Marketing. Before joining our Group as agent in April 2002, Mr. Kwok has worked in Houston Machinery Ltd. as Sales Manager from 1992 to 1997 and Barsbarry Equipment Ltd. as Sales Manager from August 1997 to April 2001.

Mr. LAM Shu Kee (林樹基), aged 61, was appointed as the marketing manager of our Group on December 2005. Mr. Lam is primarily responsible for leading the marketing team to handle marketing activities and promote brand awareness. Before joining our Group, Mr. Lam has worked for Wormald Group as sales engineer from November 1979 to 1982 and Sime Darby Group — The China Engineers, Ltd. as senior engineer from April 1983 to November 1992.

Ms. YUEN Lai Ming (袁麗明), aged 42, was appointed as the administrative manager of our Group in October 2014. Ms. Yuen is primarily responsible for managing the office administration. Ms. Yuen has obtained a Bachelor of Business Administration degree from the Lingnan University (formerly known as the Lingnan College Hong Kong) in 1996. Before joining our Group, Ms. Yuen has worked for Geoworks Equipment Company Ltd from September 1996 to May 1999 and her last position was Administrative Officer.

Mr. LAW Ka Ho (羅嘉豪), aged 33, was appointed as the financial controller of our Group in December 2014. Mr. Law is primarily responsible for overseeing and enhancing the accounting function of our Group's accounts and finance department. Mr. Law has obtained a Bachelor of Business Administration degree from the Chinese University of Hong Kong in December 2004, majoring in professional accountancy. Mr. Law was admitted as a member of the Association of Chartered Certified

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Accountants in November 2008 and a member of the Hong Kong Institute of Certified Public Accountants in January 2013. Before joining our Group, Mr. Law has worked for Chan Chee Cheng & Co. Certified Public Accountants as audit trainee from July 2004 to August 2005, HLB Hodgson Impey Cheng as audit assistant from August 2005 to February 2006, Shu Lun Pan Hong Kong CPA Limited from February 2006 to April 2009 and his last position was audit senior. Mr. Law also worked for BDO Limited as senior associate from May 2009 to September 2010 and manager from October 2010 to May 2014.

COMPANY SECRETARY

Mr. CHAN Man Kay (陳文基), aged 35, was appointed as the company secretary of our Group on 11 December 2014. Mr. Chan has obtained a Bachelor of Arts degree in Accountancy from the Hong Kong Polytechnic University in November 2002 and a Master of Arts degree in Operations and Supply Chain Management from City University of Hong Kong in November 2008. Mr. Chan was qualified as a certified public accountant in Hong Kong in January 2007. He has obtained an Advanced Diploma in Management Accounting in September 2003. He was admitted as the fellow member of the Association of Chartered Certified Accountants in February 2011, an associate member of the Chartered Institute of Management Accountants in November 2006, a member of the Hong Kong Securities and Investment Institute in February 2006 and a certified International Investment Analysts in May 2005. Mr. Chan has 11 years of experience in accounting, corporate governance and corporate finance. He worked for Evolution Watterson Securities Limited (formerly known as Watterson Asia Limited) from January 2003 to December 2010 and his last position was associate director of corporate finance. Mr. Chan worked for TC Capital Asia Limited from December 2010 to October 2015 and his last position was director of corporate finance. Mr. Chan is currently an executive director of Frontpage Capital Limited. In addition, Mr. Chan is the company secretary of Pak Wing Group (Holdings) Limited (Stock Code: 8316).

COMPLIANCE OFFICER

Mr. Kwok Ho was appointed as the compliance officer of our Company on 23 October 2015. Mr. Kwok Ho is also an executive Director. For details of his biographical details, please refer to the paragraph headed “Executive Directors” in this section.

COMPLIANCE ADVISER

Our Company has appointed RHB Capital as its compliance adviser pursuant to Rule 3A.19 of the Listing Rules and RHB Capital assumes responsibility for acting as our Company’s compliance adviser. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Company in the following circumstances:

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

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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

AUDIT COMMITTEE

Our Company has established the Audit Committee on 23 October 2015 with written terms of reference in compliance with paragraphs C.3.3 and C.3.7 of the Code. The primary duties of the Audit Committee are, among other things, to review and supervise the financial reporting process and internal control system of our Group. The Audit Committee comprises three members, namely Mr. Kwong Ping Man, Mr. Chu Wai Wa Fangus and Ms. Pang Yuen Shan Christina. Mr. Kwong Ping Man is the chairman of the Audit Committee.

REMUNERATION COMMITTEE

Our Company has established the Remuneration Committee on 23 October 2015 with written terms of reference in compliance with paragraph B.1.2 of the Code. The Remuneration Committee comprises four members, namely Ms. Pang Yuen Shan Christina, Mr. Tang Yiu Chi James, Mr. Kwong Ping Man and Mr. Chu Wai Wa Fangus. Mr. Chu Wai Wa Fangus is the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are, amongst other things, to make recommendations to our Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management and on our Group's policy and structure for all remuneration of our Directors and senior management.

NOMINATION COMMITTEE

Our Company has established the Nomination Committee on 23 October 2015 with written terms of reference in compliance with paragraph A.5.2 of the Code. The Nomination Committee comprises four members, namely Mr. Tang Yiu Chi James, Ms. Pang Yuen Shan Christina, Mr. Kwong Ping Man and Mr. Chu Wai Wa Fangus. Mr. Tang Yiu Chi James, is the chairman of the Nomination Committee. The Nomination Committee is mainly responsible for making recommendations to our Board on appointment of Directors and succession planning for our Directors.

CORPORATE GOVERNANCE

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

REMUNERATION POLICY

The aggregate amounts of compensation (including fees, salaries, contributions to pension schemes, housing and other allowances, benefit in kind and discretionary bonus) which are paid to the Directors for each of the years ended 31 March 2013, 2014, 2015 and the five months ended 31 August 2014 and 2015 were approximately HK\$123,000, HK\$159,000, HK\$463,000, HK\$102,000 and HK\$249,000, respectively.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

The aggregate amount of compensation (including fees, salaries, contributions to pension schemes, housing and other allowances, benefits in kind and discretionary bonuses) which were paid to the above senior management of our Group for each of the years ended 31 March 2013, 2014, 2015 and the five months ended 31 August 2014 and 2015 was approximately HK\$887,000, HK\$1,040,000, HK\$1,478,000, HK\$482,000 and HK\$661,000 respectively.

The aggregate amount of contributions to retirement benefits scheme paid by our Group to the Directors for each of the year ended 31 March 2013, 2014, 2015 and the five months ended 31 August 2014 and 2015 was approximately HK\$6,000, HK\$7,000, HK\$20,000, HK\$5,000 and HK\$11,000 respectively.

Our Company's policy concerning the remuneration of Directors is that the amount of remuneration is determined by reference to the relevant Director's experience, responsibilities, workload, performance and the time devoted to our Group. Further details of the remuneration of the Directors are set out in the section headed "Statutory and general information — Further information about substantial shareholders, Directors and experts — remuneration of Directors" in Appendix IV to this prospectus.

The emoluments paid to our Group's five highest paid individuals (including Directors) in aggregate for each of the years ended 31 March 2013, 2014, 2015 and the five months ended 31 August 2014 and 2015 was approximately HK\$3,438,000, HK\$3,637,000, HK\$3,739,000, HK\$1,455,000 and HK\$1,571,000 respectively. During the Track Record Period, no emolument was paid by our Group to any of the Directors or the five highest paid individuals (including Directors and employees) as an inducement to join or upon joining our Group or as compensation for loss of office. None of the Directors has waived any emoluments during the Track Record Period.

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

For additional information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to Note 12 in the Accountant's Report set out in Appendix I to this prospectus.

STAFF RELATIONS

Our Group recognises the importance of a good relationship with the employees. The remuneration payable to the employees includes basic salaries, allowances, pension and bonus. The ability to recruit and retain experienced and skilled labour is crucial to the growth and development of our Group. In addition to providing the staff the opportunities to receive regular on-the-job trainings, our Group strives to create a harmonious and caring working environment for its staff.

Our Group has not experienced any significant problems with its employees save as those arising from ordinary course of business or disruption to the operations due to labour disputes, nor has our Group experienced any difficulties in the recruitment and retention of staff.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

MANDATORY PROVIDENT FUND SCHEME

Our Group participates in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and has made the relevant contributions in accordance with the aforesaid laws and regulations. Contributions are made based on a percentage of the employees' basic salaries are charged to profit or loss as they become payable in accordance with the rules of the said scheme.

Our Group has not participated in any other schemes.

SHARE OPTION SCHEME

The Share Option Scheme was conditionally adopted pursuant to the written resolutions of our Shareholders passed on 23 October 2015. The purpose of the Share Option Scheme is to enable our Company to grant options to selected participants as incentives or rewards for their contribution to it. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable our Group to reward our employees, our Directors and other selected participants for their contributions to our Group. This will be in accordance with Chapter 17 of the Listing Rules and other relevant rules and regulations. Further details of the Share Option Scheme are set forth in the section headed "Statutory and general information — Share Option Scheme" in Appendix IV to this prospectus.

SHARE CAPITAL

SHARE CAPITAL

The share capital of our Company immediately following completion of the Capitalisation Issue and the Share Offer is set out in the table below. The table is prepared on the basis of the Share Offer becoming unconditional and the issue of the Offer Shares pursuant thereto is made as described herein. It takes no account of any Shares which may be issued under exercise any of the Adjustment Options or upon exercise of any options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to the Directors as referred to below or otherwise:

<i>Authorised share capital:</i>		<i>HK\$</i>
1,560,000,000		15,600,000
<i>Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Share Offer:</i>		
38,000,000	Shares in issue as at the date of this prospectus	380,000
712,000,000	Shares to be issued pursuant to the Capitalisation Issue	7,120,000
<u>250,000,000</u>	Shares to be issued pursuant to the Share Offer	<u>2,500,000</u>
<u>1,000,000,000</u>	Shares	<u>10,000,000</u>

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08 of the Listing Rules, at least 25% of the total issued share capital of our Company must at all times be held by the public. The 250,000,000 Offer Shares represent 25% of the issued share capital of our Company upon Listing.

RANKING

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

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the major terms of which are set out in the section headed “Statutory and general information — Share Option Scheme” in Appendix IV to this prospectus.

SHARE CAPITAL

CAPITALISATION ISSUE

Pursuant to the resolutions of our Shareholders passed on 23 October 2015, subject to the share premium account of our Company being credited as a result of the issue of the Offer Shares pursuant to the Share Offer, the Directors are authorised to allot and issue a total of 712,000,000 Shares credited as fully paid at par to the holders of Shares on the register of members of our Company at the close of business on 23 October 2015 (or as they may direct) in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK\$7,120,000 standing to the credit of the share premium account of our Company, and our 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

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with our Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of our Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

- (i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Capitalisation Issue and the Share Offer (not including Shares which may be issued upon exercise of any of the Adjustment Options or pursuant to the exercise of options which may be granted under the Share Option Scheme); and
- (ii) The aggregate nominal value of the share capital of our Company repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares referred to in the paragraph headed “General mandate to repurchase Shares” in this section.

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

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

SHARE CAPITAL

For further details of this general mandate, please refer to the section headed “Statutory and general information — Further information about our Company — Written resolutions of our Shareholders passed on 23 October 2015” in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of the share capital of our Company in issue following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of any of the Adjustment Options or pursuant to the exercise of the options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Main Board, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, and such repurchases are made in accordance with all applicable laws and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed “Statutory and general information — Further information about our Company — Repurchase of our Shares by our Company” in Appendix IV to this prospectus.

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

- (i) The conclusion of the next general meeting of our Company;
- (ii) The expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable law of the Cayman Islands to be held; or
- (iii) The time when such mandate is revoked or varied or renewed by an ordinary resolution of our Shareholders in general meeting,

For further details of this general mandate, please refer to the section headed “Statutory and general information — Further information about our Company — Repurchase of our Shares by our Company” in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

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

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

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

Name of Shareholder	Capacity/ Nature of interest	Number of Shares held/interested immediately following completion of the Capitalisation Issue and the Share Offer ^(Note 1)	Percentage of shareholding immediately following the completion of the Capitalisation Issue and the Share Offer
Tang J F T ^(Note 2)	Beneficial owner	750,000,000	75%
Mr. Tang Kan ^(Note 2)	Interested in a controlled corporation	750,000,000	75%
Ms. Leung Lay Wen Lana ^(Note 3)	Interest of spouse	750,000,000	75%

Notes:

1. All interests stated are long positions.
2. Following completion of the Capitalisation Issue and the Share Offer, Tang J F T will hold 750,000,000 Shares of our Company. Mr. Tang Kan beneficially owns approximately 90.04% of the issued share capital of Tang J F T. Therefore, Mr. Tang Kan is deemed to be interested in all the Shares held by Tang J F T for the purpose of the SFO. Ms. Leung Lay Wen Lana, the spouse of Mr. Tang Kan, is interested in 0.2% of the share capital of Tang J F T.
3. Ms. Leung Lay Wen Lana is the spouse of Mr. Tang Kan. Accordingly, Ms. Leung Lay Wen Lana is deemed, or taken to be, interested in all the Shares in which Mr. Tang Kan is interested for the purpose of the SFO.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Share Offer (without taking into account any Shares which may be taken up under the Share Offer, and Shares to be issued under any of the Adjustment Options or to be issued upon exercise of any options which may be granted under the Share Option Scheme or repurchased by our Company pursuant to the mandate as referred to in the section headed “Statutory and general information — Further information about our Company” in Appendix IV to this prospectus), have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of its subsidiaries.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our combined financial information and notes thereto set forth in the Accountant's Report included as Appendix I and our selected historical consolidated financial information and operating data included elsewhere in this prospectus. Our consolidated financial information has been prepared in accordance with HKFRSs issued by Hong Kong Institute of Certified Public Accountants. Our financial information and the discussion and analysis below assume that our current structure had been in existence throughout the Track Record Period. For further information in relation to our Group's structure, please refer to the section headed "History, development and Reorganisation" in this prospectus.

The following discussion and analysis contain certain forward-looking statements that reflect our current views with respect to future events and our financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. Please refer to the sections headed "Risk factors" and "Forward-looking statements" for discussions of those risks and uncertainties.

Our financial year begins from 1 April and ends on 31 March. All references to "FY2013", "FY2014" and "FY2015" mean the financial years ended 31 March 2013, 31 March 2014 and 31 March 2015, respectively.

OVERVIEW

Our Group engaged in the construction machinery business, serving primarily the construction sector in Hong Kong. We offer a comprehensive range of services including (i) rental of construction machinery, such as crawler cranes, aerial platforms and foundation equipment; (ii) trading of new or used construction machinery and spare parts; and (iii) transportation services.

During FY2013, FY2014 and FY2015, we have experienced revenue growth mainly from our rental and trading business. Our revenue for FY2014 was approximately HK\$316.8 million, representing an increase of approximately 30.4% as compared with the corresponding figure of approximately HK\$242.9 million for FY2013. Our revenue for FY2015 was approximately HK\$368.9 million, representing an increase of approximately 16.4% as compared with the corresponding figure of approximately HK\$316.8 million for FY2014. Our revenue for the five months ended 31 August 2015 was approximately HK\$140.1 million, representing a decrease of approximately 13.9% as compared with the corresponding figure of approximately HK\$162.7 million for the five months ended 31 August 2014.

In FY2013 and FY2014, our net profit was approximately HK\$33.1 million and HK\$39.3 million, respectively. Our net profit for FY2015 was approximately HK\$24.4 million, representing a decrease of approximately 37.9% as compared with the corresponding figure of approximately HK\$39.3 million for FY2014. Our net profit for the five months ended 31 August 2015 was approximately HK\$3.7 million, representing a decrease of approximately 80.7% as compared with the corresponding figure of approximately HK\$19.2 million for the five months ended 31 August 2014.

FINANCIAL INFORMATION

Our Directors believe that our growth was and will be attributable to our well-established market presence, our wide variety of products and services, and our experienced management team.

BASIS OF PRESENTATION

The combined financial statements of our Group for the Track Record Period has been prepared in conform with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants. The combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of our Group for the Track Record Period have been prepared using the financial information of the entities now comprising our Group, as if the current group structure had been in existence throughout the Track Record Period, or since the respective dates of incorporation of the relevant entities now comprising our Group where this is a shorter period. The combined statements of financial position of our Group as at 31 March 2013, 31 March 2014 and 31 March 2015, and 31 August 2014 and 31 August 2015 have been prepared to present the assets and liabilities of the entities now comprising our Group which were in existence at those dates, as if the current group structure had been in existence as at the respective dates. The net assets and results of our Group were combined using the carrying value from the perspective of the Active Shareholders. All significant intra-group transactions and balances have been eliminated on combination.

Further details on the basis of presentation are set out in Note 2 in the Accountant's Report.

PRINCIPAL FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our financial condition and results of operations have been and will continue to be affected by a number of factors, including those discussed below, some of which are beyond our control.

Market demand

The demand of rental and trading of construction machinery is driven by the level of construction and infrastructure projects. As majority of our revenue derived from rental and trading of construction machinery in Hong Kong, our profitability is depended on the level of constructions and infrastructure projects in Hong Kong.

The timing, size and nature of these projects will, on the other hand, be determined by the interplay of a number of factors such as the government's spending patterns on the construction projects, the investment of property developers and the general conditions and prospects of the local economy. These factors may affect the availability of construction projects from both the private and public sector.

According to the IPSOS Report, the revenue of construction machinery rental and trading service industry in Hong Kong was estimated to continue to grow at a CAGR of approximately 10.8% and 6.9% from 2015 to 2019, respectively. Our Directors believe that our Group will be benefited from the continuous growth in demand for rental and trading of construction machinery.

Our relationship with stakeholders and reputation in the industry

Our Group has more than 50 years of experience within the construction industry, among which, over 18 years of experience in rental of construction machinery, we have a long cooperation history with most of our customers, suppliers and stakeholders.

FINANCIAL INFORMATION

Our Directors believe that our business development will continue to benefit by our long established relationship with our stakeholders and good reputation in the industry. Should there be any major disruption to our operations due to events such as industrial accidents, major or frequent breakdowns of our rental construction machineries, inability of our servicing teams or our third party service suppliers to provide timely service to our customers, or due to circumstances beyond our control, we may face adverse publicity and hence our reputation with customers may be adversely affected. Consequently, we may risk losing customers' confidences for our rental and trading business, and our profitability and financial performance may be adversely affected.

Staff costs

We experienced an increase in staff costs during the Track Record Period. Staff costs for FY2013, FY2014 and FY2015 were approximately HK\$53.7 million, HK\$57.2 million and HK\$56.8 million, representing approximately 22.1%, 18.1% and 15.4% of our total revenue, respectively. Staff costs for the five months ended 31 August 2014 and 2015 were approximately 14.4% and 16.0% of our total revenue, respectively.

Our staff costs increased from approximately HK\$53.7 million for FY2013 to approximately HK\$57.2 million for FY2014, representing an increase of approximately 6.5%. The increase was mainly attributable to the salary increment to retain our experienced staffs. Our staff costs slightly decreased from approximately HK\$57.2 million for FY2014 to approximately HK\$56.8 million for FY2015, representing a decrease of approximately 0.7%. The decrease was mainly attributable to the decrease in the number of operations staff in FY2015. Our staff costs decreased from approximately HK\$23.4 million for the five months ended 31 August 2014 to approximately HK\$22.4 million for the five months ended 31 August 2015, representing a decrease of approximately 4.1%. The decrease was mainly due to the decrease in number of operating hours of our operators in rental of construction machinery, which was in line with the decrease in the utilisation rate of our rental fleet. As at 31 August 2015, we had a total of 127 employees out of which 106 employees were operations staff. Our operations staff consists of experienced machinery operators and other mechanics, such employees are highly demanded in the market. Should we failed to retain such staff and to control our staff costs, our operational result and condition may be adversely affected.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in staff costs on our profit before tax and our profit for the year/period during the Track Record Period. Fluctuations are assumed to be approximately 5.0%, 8.0% and 10.0% for FY2013, FY2014, FY2015, and for the five months ended 31 August 2014 and 2015, which corresponded to the range of historical fluctuations of our staff costs during the Track Record Period.

FINANCIAL INFORMATION

	(HK\$'000, except percentage)					
Hypothetical Fluctuation	+5%	-5%	+8%	-8%	+10%	-10%
<i>Impact on Certain Combined Income Statement Items for the year ended 31 March 2013</i>						
Change in staff costs	2,687	(2,687)	4,298	(4,298)	5,373	(5,373)
Change in profit before tax	2,687	(2,687)	4,298	(4,298)	5,373	(5,373)
Change in profit after tax	2,243	(2,243)	3,589	(3,589)	4,486	(4,486)
<i>Impact on Certain Combined Income Statement Items for the year ended 31 March 2014</i>						
Change in staff costs	2,858	(2,858)	4,573	(4,573)	5,716	(5,716)
Change in profit before tax	2,858	(2,858)	4,573	(4,573)	5,716	(5,716)
Change in profit after tax	2,386	(2,386)	3,818	(3,818)	4,773	(4,773)
<i>Impact on Certain Combined Income Statement Items for the year ended 31 March 2015</i>						
Change in staff costs	2,838	(2,838)	4,540	(4,540)	5,675	(5,675)
Change in profit before tax	2,838	(2,838)	4,540	(4,540)	5,675	(5,675)
Change in profit after tax	2,369	(2,369)	3,791	(3,791)	4,739	(4,739)
<i>Impact on Certain Combined Income Statement Items for the five months ended 31 August 2014</i>						
Change in staff costs	1,168	(1,168)	1,868	(1,868)	2,335	(2,335)
Change in profit before tax	1,168	(1,168)	1,868	(1,868)	2,335	(2,335)
Change in profit after tax	975	(975)	1,560	(1,560)	1,950	(1,950)
<i>Impact on Certain Combined Income Statement Items for the five months ended 31 August 2015</i>						
Change in staff costs	1,119	(1,119)	1,791	(1,791)	2,239	(2,239)
Change in profit before tax	1,119	(1,119)	1,791	(1,791)	2,239	(2,239)
Change in profit after tax	935	(935)	1,495	(1,495)	1,869	(1,869)

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment are depreciated so as to write-off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each of the Track Record Period. The estimated useful lives are as follows:

Leasehold land and building	Over the lease terms
Leasehold improvements	Shorter of lease terms and 10 years
Machinery	10 years
Furniture and equipment	4 years
Motor vehicles	4 years

In determining the useful life and residual value of an item of property, plant and equipment, our Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvement in production, or from a change in the market demand for the products or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and

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maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of our Group with similar assets that are used in similar way. Our Group will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using first-in-first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Impairment loss on financial assets

Our Group assesses, at the end of each of the Track Record Period, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (as incurred “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Objective evidence of impairment may include:

- significant financial difficulty of the debtor or the group of debtors;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor’s financial difficulty; or
- it becoming probable that the debtor or the group of debtors will enter bankruptcy or other financial reorganisation.

For certain categories of financial assets such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include our Group’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the general credit period, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of impairment loss is measured as the difference between the asset’s carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

Impairment losses are reversed in subsequent periods when an increase in the asset’s recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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Provision and contingent liabilities

A provision is recognised when our Group has a present obligation (legal or constructive) as a result of a past event, it is probable that our Group will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confined by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of our Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services and the use by others of our Group's assets yielding interest, dividend and rentals, net of rebates and discounts. Provided it is probable that the economic benefits will flow to our Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

- (a) Revenue from rental of construction machinery classified under operating leases is recognised in profit or loss on a straight-line basis over the periods covered by the lease term, except where an alternative basis is more representative of the time pattern of benefits to be derived from the use of the leased asset.
- (b) Revenue from trading of construction machinery and parts is recognised when the significant risks and rewards of ownership have been transferred to the customers. Normally, risk is transferred upon dispatch of goods and customer has accepted the goods.
- (c) Service income is recognised when the services are rendered.
- (d) Interest income is recognised on a time-proportion basis using the effective interest method.
- (e) Revenue attributable to finance leases is recognised over the lease term on a systematic and rational basis so as to produce a constant rate of return on the net investment in the finance lease.

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Our Directors consider our Group's accounting estimates are accurate in the past comparing with actual results, we have not experienced material change in accounting estimates in the past and we do not consider these accounting estimates are likely to change in the future.

RESULTS OF OPERATIONS

The following is a summary of the combined statements of comprehensive income of our Group for FY2013, FY2014, FY2015, and for the five months ended 31 August 2014 and 2015, respectively, as extracted from the Accountant's Report set out in Appendix I to this prospectus.

Combined statements of comprehensive income

	For the year ended 31 March			For the five months ended 31 August	
	2013	2014	2015	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)				
Revenue	242,948	316,810	368,942	162,699	140,084
Cost of sales and services rendered	<u>(172,933)</u>	<u>(245,860)</u>	<u>(306,422)</u>	<u>(125,717)</u>	<u>(124,300)</u>
Gross profit	70,015	70,950	62,520	36,982	15,784
Other income and gains	4,135	2,847	6,239	1,414	1,771
Loss on foreign currency forward contracts	—	—	(527)	—	—
Impairment of trade receivables	(12,099)	—	—	—	—
Listing expenses	—	—	(8,352)	(3,141)	(1,242)
Administrative expenses	(15,184)	(19,085)	(21,707)	(7,695)	(9,204)
Finance costs	<u>(7,755)</u>	<u>(7,786)</u>	<u>(6,837)</u>	<u>(2,926)</u>	<u>(2,646)</u>
Profit before income tax expense	39,112	46,926	31,336	24,634	4,463
Income tax expense	<u>(5,992)</u>	<u>(7,661)</u>	<u>(6,972)</u>	<u>(5,454)</u>	<u>(779)</u>
Profit and total comprehensive income for the year/period	<u><u>33,120</u></u>	<u><u>39,265</u></u>	<u><u>24,364</u></u>	<u><u>19,180</u></u>	<u><u>3,684</u></u>
Attributable to:					
Owners of our Company	33,086	39,232	24,324	19,159	3,686
Non-controlling interests	<u>34</u>	<u>33</u>	<u>40</u>	<u>21</u>	<u>(2)</u>
	<u><u>33,120</u></u>	<u><u>39,265</u></u>	<u><u>24,364</u></u>	<u><u>19,180</u></u>	<u><u>3,684</u></u>

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DESCRIPTION OF SELECTED LINE ITEMS OF COMBINED STATEMENTS OF COMPREHENSIVE INCOME

Revenue

We generated our revenue from provision of construction machinery rental services, trading of construction machinery and parts and transportation services during the Track Record Period.

During the Track Record Period, our Group's revenue has experienced a growth through expansion of trading business. Our revenue increased from approximately HK\$242.9 million for FY2013 to approximately HK\$316.8 million for FY2014, representing approximately 30.4% growth. Our revenue further increased from approximately HK\$316.8 million for FY2014 to approximately HK\$368.9 million for FY2015, representing an increase of approximately 16.4%. Our revenue decreased from approximately HK\$162.7 million for the five months ended 31 August 2014 to approximately HK\$140.1 million for the five months ended 31 August 2015, representing a decrease of approximately 13.9%.

Set forth below are the details of our Group's revenue by business segments during the Track Record Period:

	For the year ended 31 March						For the five months ended 31 August			
	2013		2014		2015		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Rental of construction machinery	197,335	81.2	196,526	62.0	174,749	47.4	88,000	54.1	47,809	34.1
Trading of construction machinery and parts	40,580	16.7	117,037	37.0	191,425	51.9	73,469	45.1	91,242	65.1
Transportation services	<u>5,033</u>	<u>2.1</u>	<u>3,247</u>	<u>1.0</u>	<u>2,768</u>	<u>0.7</u>	<u>1,230</u>	<u>0.8</u>	<u>1,033</u>	<u>0.8</u>
Total	<u>242,948</u>	<u>100.0</u>	<u>316,810</u>	<u>100.0</u>	<u>368,942</u>	<u>100.0</u>	<u>162,699</u>	<u>100.0</u>	<u>140,084</u>	<u>100.0</u>

Rental of construction machinery

Construction machinery rental services mainly involve rental of crawler cranes, aerial platform and foundation equipment. For FY2013, FY2014 and FY2015, construction machinery rental services contributed approximately HK\$197.3 million, HK\$196.5 million and HK\$174.7 million, or approximately 81.2%, 62.0% and 47.4% of our total revenue, respectively. For the five months ended 31 August 2014 and 2015, construction machinery rental services contributed approximately HK\$88.0 million and HK\$47.8 million, or approximately 54.1% and 34.1% of our total revenue, respectively.

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Set forth below are the details of our Group's construction machinery rental revenue by project types during the Track Record Period:

	For the year ended 31 March						For the five months ended 31 August			
	2013		2014		2015		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Building	56,091	28.4	41,975	21.4	76,696	43.9	40,029	45.4	17,731	37.1
Infrastructure	17,113	8.7	17,824	9.1	14,963	8.6	7,103	8.1	6,090	12.7
Transport system <i>(Note)</i>	114,864	58.2	130,672	66.5	77,256	44.2	37,563	42.7	21,871	45.7
Others	<u>9,267</u>	<u>4.7</u>	<u>6,055</u>	<u>3.0</u>	<u>5,834</u>	<u>3.3</u>	<u>3,305</u>	<u>3.8</u>	<u>2,117</u>	<u>4.5</u>
Total	<u>197,335</u>	<u>100.0</u>	<u>196,526</u>	<u>100.0</u>	<u>174,749</u>	<u>100.0</u>	<u>88,000</u>	<u>100.0</u>	<u>47,809</u>	<u>100.0</u>

Note: Transport system includes railway, underground train and highspeed train.

Our rental revenue from building projects contributed to approximately 28.4%, 21.4% and 43.9%, from infrastructure projects contributed to approximately 8.7%, 9.1% and 8.6% and from transport system projects contributed to approximately 58.2%, 66.5% and 44.2% of our construction machinery rental revenue for FY2013, FY2014 and FY2015, respectively. Our revenue from building projects contributed to approximately 45.4% and 37.1%, from infrastructure projects contributed to approximately 8.1% and 12.7% and from transport system projects contributed to approximately 42.7% and 45.7% of our construction machinery rental revenue for the five months ended 31 August 2014 and 2015, respectively.

Set forth below are the details of our Group's construction machinery rental services revenue by business sub-segments during the Track Record Period:

	For the year ended 31 March						For the five months ended 31 August			
	2013		2014		2015		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Rental income from rental fleet	122,010	61.8	129,058	65.7	111,406	63.7	55,897	63.5	32,869	68.8
Rental income from sub-leasing of machinery	66,058	33.5	61,367	31.2	57,432	32.9	28,774	32.7	12,795	26.7
Other service income <i>(Note)</i>	<u>9,267</u>	<u>4.7</u>	<u>6,101</u>	<u>3.1</u>	<u>5,911</u>	<u>3.4</u>	<u>3,329</u>	<u>3.8</u>	<u>2,145</u>	<u>4.5</u>
Total	<u>197,335</u>	<u>100.0</u>	<u>196,526</u>	<u>100.0</u>	<u>174,749</u>	<u>100.0</u>	<u>88,000</u>	<u>100.0</u>	<u>47,809</u>	<u>100.0</u>

Note: Other service income mainly derives from maintenance services and provision of operators.

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Our rental income from rental fleet contributed to approximately 61.8%, 65.7% and 63.7% while the rental income from sub-leasing of machinery contributed to approximately 33.5%, 31.2% and 32.9% for FY2013, FY2014 and FY2015, respectively, of the total revenue from our construction machinery rental business. Our rental income from rental fleet contributed to approximately 63.5% and 68.8% while the rental income from sub-leasing of machinery contributed to approximately 32.7% and 26.7% of the total revenue from our construction machinery rental services for the five months ended 31 August 2014 and 2015, respectively.

Trading of construction machinery and parts

Trading of construction machinery and parts mainly involves sale of crawler cranes, aerial platforms and foundation equipment to customers. For FY2013, FY2014 and FY2015, trading of construction machinery and parts contributed to approximately HK\$40.6 million, HK\$117.0 million and HK\$191.4 million, or approximately 16.7%, 37.0% and 51.9% of our total revenue, respectively. For the five months ended 31 August 2014 and 2015, trading of construction machinery and parts contributed to approximately HK\$73.5 million and HK\$91.2 million, or approximately 45.1% and 65.1% of our total revenue, respectively.

Transportation services

Transportation services mainly involve provision of transportation services to construction work companies. For FY2013, FY2014 and FY2015, transportation services contributed to approximately HK\$5.0 million, HK\$3.2 million and HK\$2.8 million, or approximately 2.1%, 1.0% and 0.7% of our total revenue, respectively. For the five months ended 31 August 2014 and 2015, transportation services contributed to approximately HK\$1.2 million and HK\$1.0 million, or approximately 0.8% and 0.8% of our total revenue, respectively.

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Cost of sales and services rendered

Set forth below are the details of the cost of sales and services rendered during the Track Record Period:

	For the year ended 31 March						For the five months ended 31 August			
	2013		2014		2015		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Purchase of machinery and spare parts	33,544	19.4	102,021	41.5	161,361	52.6	59,881	47.6	73,617	59.2
Staff costs	48,628	28.2	50,853	20.7	49,274	16.1	20,826	16.6	18,974	15.3
Sub-leasing expenses	39,463	22.8	32,981	13.4	38,233	12.5	19,826	15.8	8,920	7.2
Depreciation	30,102	17.4	34,262	13.9	35,114	11.5	14,607	11.6	14,856	12.0
Repair and maintenance	8,264	4.8	11,702	4.8	10,153	3.3	4,577	3.6	3,204	2.5
Fuel and oil	3,165	1.8	2,842	1.2	1,256	0.4	663	0.5	497	0.4
Insurance	2,988	1.7	4,935	2.0	5,496	1.8	2,634	2.1	2,209	1.8
Removal fee and truck cost	3,664	2.1	4,579	1.9	4,267	1.4	2,130	1.7	1,551	1.2
Impairment of inventories	1,735	1.0	—	0.0	—	0.0	—	0.0	—	0.0
Others	1,380	0.8	1,685	0.6	1,268	0.4	573	0.5	472	0.4
	<u>172,933</u>	<u>100.0</u>	<u>245,860</u>	<u>100.0</u>	<u>306,422</u>	<u>100.0</u>	<u>125,717</u>	<u>100.0</u>	<u>124,300</u>	<u>100.0</u>

For FY2013, FY2014 and FY2015, our cost of sales and services rendered was approximately HK\$172.9 million, HK\$245.9 million and HK\$306.4 million, respectively. For FY2013, we have impaired inventory of approximately HK\$1.7 million which was mainly due to write-down of obsoleted inventories.

For the five months ended 31 August 2014 and 2015, our cost of sales and services rendered was approximately HK\$125.7 million and HK\$124.3 million, respectively.

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Set forth below are the details of our cost of sales and services rendered by business segments during the Track Record Period:

	For the year ended 31 March						For the five months ended 31 August					
	2013		2014		2015		2014		2015			
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Rental of construction machinery	134,783	77.9	140,122	57.0	142,408	46.5	64,395	51.2	46,017	37.0		
Trading of construction machinery and parts	35,279	20.4	103,148	42.0	161,616	52.7	59,940	47.7	77,393	62.3		
Transportation services	<u>2,871</u>	<u>1.7</u>	<u>2,590</u>	<u>1.0</u>	<u>2,398</u>	<u>0.8</u>	<u>1,382</u>	<u>1.1</u>	<u>890</u>	<u>0.7</u>		
Total	<u><u>172,933</u></u>	<u><u>100.0</u></u>	<u><u>245,860</u></u>	<u><u>100.0</u></u>	<u><u>306,422</u></u>	<u><u>100.0</u></u>	<u><u>125,717</u></u>	<u><u>100.0</u></u>	<u><u>124,300</u></u>	<u><u>100.0</u></u>		

Our cost of sales and services rendered from construction machinery rental contributed to approximately 77.9%, 57.0% and 46.5%, from trading of construction machinery and parts contributed to approximately 20.4%, 42.0% and 52.7% and from transportation services contributed to approximately 1.7%, 1.0% and 0.8% of our total cost of sales and services rendered for FY2013, FY2014 and FY2015, respectively.

Our cost of sales and services rendered from construction machinery rental contributed approximately 51.2% and 37.0%, from trading of construction machinery and parts contributed approximately 47.7% and 62.3% and from transportation services contributed approximately 1.1% and 0.7% of our total cost of sales and services rendered for the five months ended 31 August 2014 and 2015, respectively.

Gross profit and gross profit margin

Our gross profit for FY2013, FY2014 and FY2015 amounted to approximately HK\$70.0 million, HK\$71.0 million and HK\$62.5 million, representing gross profit margin of approximately 28.8%, 22.4% and 16.9%, respectively.

Our gross profit for the five months ended 31 August 2014 and 2015 amounted to approximately HK\$37.0 million and HK\$15.8 million, representing gross profit margin of approximately 22.7% and 11.3%, respectively.

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Set forth below are the details of our Group's gross profit by business segments during the Track Record Period:

	For the year ended 31 March						For the five months ended 31 August			
	2013		2014		2015		2014		2015	
	Gross profit margin		Gross profit margin		Gross profit margin		Gross profit margin		Gross profit margin	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Rental of construction machinery	62,552	31.7	56,404	28.7	32,341	18.5	23,605	26.8	1,792	3.7
Trading of construction machinery and parts	5,301	13.1	13,889	11.9	29,809	15.6	13,529	18.4	13,849	15.2
Transportation services	<u>2,162</u>	<u>43.0</u>	<u>657</u>	<u>20.2</u>	<u>370</u>	<u>13.4</u>	<u>(152)</u>	<u>(12.4)</u>	<u>143</u>	<u>13.8</u>
Total	<u>70,015</u>	<u>28.8</u>	<u>70,950</u>	<u>22.4</u>	<u>62,520</u>	<u>16.9</u>	<u>36,982</u>	<u>22.7</u>	<u>15,784</u>	<u>11.3</u>

Our gross profit margin for construction machinery rental services was approximately 31.7%, 28.7% and 18.5%, and trading of construction machinery and parts was approximately 13.1%, 11.9% and 15.6% for FY2013, FY2014 and FY2015, respectively. Our transportation services recorded a gross profit margin of approximately 43.0%, 20.2% and 13.4% for FY2013, FY2014 and FY2015, respectively.

Our gross profit margin for construction machinery rental services was approximately 26.8% and 3.7%, and gross profit margin for trading of construction machinery and parts was approximately 18.4% and 15.2% for the five months ended 31 August 2014 and 2015, respectively. Our transportation services recorded a gross loss for the five months ended 31 August 2014 and a gross profit margin of approximately 13.8% for the five months ended 31 August 2015.

Set forth below are the details of our Group's gross profit by sub-segments of rental of construction machinery during the Track Record Period:

	For the year ended 31 March						For the five months ended 31 August			
	2013		2014		2015		2014		2015	
	Gross profit margin		Gross profit margin		Gross profit margin		Gross profit margin		Gross profit margin	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Own rental fleet	44,507	36.5	44,667	34.6	29,281	26.3	21,533	38.5	1,342	4.1
Sub-leasing	12,046	18.2	8,035	13.1	813	1.4	127	0.4	370	2.9
Other service income ^(Note)	<u>5,999</u>	<u>64.7</u>	<u>3,702</u>	<u>60.7</u>	<u>2,247</u>	<u>38.0</u>	<u>1,945</u>	<u>58.4</u>	<u>80</u>	<u>3.7</u>
Total	<u>62,552</u>	<u>31.7</u>	<u>56,404</u>	<u>28.7</u>	<u>32,341</u>	<u>18.5</u>	<u>23,605</u>	<u>26.8</u>	<u>1,792</u>	<u>3.7</u>

Note: Other service income mainly derives from maintenance services and provision of operators.

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Our gross profit margin for our own rental fleet was approximately 36.5%, 34.6% and 26.3%, sub-leasing of machinery was approximately 18.2%, 13.1% and 1.4% and other service income was approximately 64.7%, 60.7% and 38.0% for FY2013, FY2014 and FY2015, respectively. Our gross profit margin for sub-leasing of machinery has decreased from approximately 18.2% for FY2013 to approximately 1.4% for FY2015, which attributable to (i) the decrease in rental revenue from sub-leasing; and (ii) that we had rented six construction machineries from one construction machinery manufacturer with a minimum rental period of 12 months during the Track Record Period, however, the machines were not fully rented out as expected due to the delay in commencement of some government construction projects engaged by our customers.

Our gross profit margin for our own rental fleet was approximately 38.5% and 4.1%, and sub-leasing of machinery was approximately 0.4% and 2.9% and other service income was approximately 58.4% and 3.7% for the five months ended 31 August 2014 and 2015, respectively.

For details of our Group's sub-leasing arrangements, please refer to the section headed "Business — Sub-leasing arrangements" in this prospectus.

Other income and gains

Set forth below are the details of our Group's other income and gains during the Track Record Period:

	For the year ended 31 March			For the five months ended 31 August	
	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
				(unaudited)	
Interest income	631	—	3	—	9
Finance lease income	—	—	628	202	274
Gain on disposal of property, plant and equipment	636	80	111	91	57
Rental income from leasing warehouse property and a motor vehicle	2,313	2,019	1,122	379	230
Gain on disposal of an investment property	—	—	1,999	—	—
Government allowance for retirement of motor vehicles	—	—	1,181	520	225
Net exchange gain	—	—	667	—	696
Others	555	748	528	222	280
	<u>555</u>	<u>748</u>	<u>528</u>	<u>222</u>	<u>280</u>
Total	<u>4,135</u>	<u>2,847</u>	<u>6,239</u>	<u>1,414</u>	<u>1,771</u>

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Administrative expenses

Set forth below are the details of our Group's administrative expenses during the Track Record Period:

	For the year ended 31 March						For the five months ended 31 August			
	2013		2014		2015		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
							(unaudited)			
Staff costs	5,131	33.9	6,454	33.9	7,477	34.5	2,526	32.8	3,411	37.1
Utilities and management fees	685	4.5	466	2.4	794	3.7	298	3.9	230	2.5
Office expenses	641	4.2	344	1.8	505	2.3	263	3.4	380	4.1
Rent and rates	3,389	22.3	3,934	20.7	3,754	17.3	1,341	17.4	1,197	13.0
Depreciation	574	3.8	939	4.9	1,656	7.6	624	8.1	912	9.9
Entertainment expenses	619	4.1	654	3.4	996	4.6	258	3.4	472	5.1
Transportation expenses	1,444	9.5	1,986	10.4	2,137	9.8	946	12.3	982	10.7
Professional fees	1,872	12.3	3,287	17.2	3,956	18.2	1,299	16.9	1,303	14.2
Exchange loss	36	0.2	713	3.7	—	0.0	108	1.4	—	0.0
Others	793	5.2	308	1.6	432	2.0	32	0.4	317	3.4
Total	15,184	100.0	19,085	100.0	21,707	100.0	7,695	100.0	9,204	100.0

Our administrative expenses were approximately HK\$15.2 million, HK\$19.1 million and HK\$21.7 million, representing approximately 6.3%, 6.0% and 5.9% of our total revenue for FY2013, FY2014 and FY2015, respectively, and were approximately HK\$7.7 million and HK\$9.2 million, representing approximately 4.7% and 6.6% of our total revenue for the five months ended 31 August 2014 and 2015 respectively.

Finance costs

Set forth below are the details of our Group's finance costs during the Track Record Period:

	For the year ended 31 March			For the five months ended 31 August	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)				
Interest charges on:					
Bank borrowings	2,382	2,800	2,902	1,317	1,346
Finance lease payables	4,961	4,834	3,928	1,609	1,300
Bank overdrafts	412	152	7	—	—
	7,755	7,786	6,837	2,926	2,646

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Our finance cost were approximately HK\$7.8 million, HK\$7.8 million and HK\$6.8 million, representing approximately 3.2%, 2.5% and 1.8% of our total revenue for FY2013, FY2014 and FY2015, respectively, and were approximately HK\$2.9 million and HK\$2.6 million, representing approximately 1.8% and 1.9% of our total revenue for the five months ended 31 August 2014 and 2015 respectively.

Impairment of trade receivables

Our impairment of trade receivables for FY2013 was approximately HK\$12.1 million, which contributed to the full provision of trade receivable from a customer under litigation case as disclosed in the section headed “Business — Legal proceedings and compliance” in this prospectus. Based on (i) the uncertainty of the recoverability of the receivable; (ii) long outstanding of the trade receivable; (iii) default in payment from the customer; and (iv) unable to estimate timing of the litigation case, our Directors considered that the impairment of trade receivables was reasonable.

Income tax expense

Income tax expense primarily consists of provision for Hong Kong current and deferred income tax expenses. Our effective tax rates were approximately 15.3%, 16.3% and 22.2% for FY2013, FY2014 and FY2015, respectively, and were approximately 22.1% and 17.5% for the five months ended 31 August 2014 and 2015, respectively.

Our Company and subsidiaries are incorporated in different jurisdictions, with different taxation requirements illustrated as follows:

The BVI and the Cayman Islands

Pursuant to the applicable laws, rules and regulations of the BVI and the Cayman Islands, our Group is not subject to any income tax in the BVI and the Cayman Islands.

Hong Kong

All our Hong Kong subsidiaries were subject to Hong Kong profits tax at 16.5% during the Track Record Period.

Macau

Under the applicable Macau laws, rules and regulations, our Macau subsidiary is subject to corporate tax which is levied at progressive rates ranging from 9% to 12%.

During the Track Record Period, our Group rented construction machinery to six customers based in Hong Kong that have used the construction machinery for their construction projects in Macau. Our Group has also rented construction machinery to another customer, a related company incorporated in Macau, which sub-leased the machinery to its customer for construction projects in Macau.

On 15 December 2014, our Group has acquired Hightion to capture business opportunities in Macau and is subject to Macau corporate tax.

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Our Group has made adequate tax provision on the assessable profit based on the tax rates prevailing in the countries in which our Group operates in during the Track Record Period. Payments of taxes are made in accordance with the payment schedule stipulated by the relevant tax authorities.

Our Directors confirm that we have made all required tax filings in all relevant jurisdictions and paid all tax liabilities that have become due. We are not subject to any dispute or potential dispute with any tax authorities.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Five months ended 31 August 2015 compared to five months ended 31 August 2014

Revenue

Our total revenue decreased by approximately HK\$22.6 million, or 13.9%, from approximately HK\$162.7 million for the five months ended 31 August 2014 to approximately HK\$140.1 million for the five months ended 31 August 2015. Such decrease was mainly attributable to the decrease in revenue generated from rental of construction machinery.

Rental of construction machinery

Our revenue from construction machinery rental services decreased by approximately HK\$40.2 million, or 45.7%, from approximately HK\$88.0 million for the five months ended 31 August 2014 to approximately HK\$47.8 million for the five months ended 31 August 2015. Such decrease was mainly due to (i) the decrease in number of crawler cranes rented-out attributable to the delay in commencement of several Delayed Projects; and (ii) the completion of two substantial private projects in FY2015 which accounted for approximately 44.9% of revenue from private projects for the five months ended 31 August 2014.

For the details of the Delayed Projects, please refer to the section headed “Business — Overview” in this prospectus.

Trading of construction machinery and parts

Our revenue from trading of construction machinery and parts increased by approximately HK\$17.7 million, or 24.1%, from approximately HK\$73.5 million for the five months ended 31 August 2014 to approximately HK\$91.2 million for the five months ended 31 August 2015. Such increase was mainly attributable to the increase in number of crawler cranes sold as a result of our marketing effort to promote our dealership for a Japanese manufacturer.

Transportation services

Our revenue from transportation services decreased by approximately HK\$0.2 million, or 16.7%, from approximately HK\$1.2 million for the five months ended 31 August 2014 to approximately HK\$1.0 million for the five months ended 31 August 2015. Such decrease was mainly due to the decrease in operation scale as a result of the retirement of certain transportation fleet.

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Cost of sales and services rendered

Our cost of sales and services rendered slightly decreased by approximately HK\$1.4 million, or 1.1%, from approximately HK\$125.7 million for the five months ended 31 August 2014 to approximately HK\$124.3 million for the five months ended 31 August 2015, which was mainly attributable to the decrease in cost of services rendered for rental of construction machinery as a result of the decrease in sub-leasing expenses paid to suppliers.

Purchase of machinery and spare parts

Our cost of purchase of machinery and spare parts increased by approximately HK\$13.7 million, or 22.9%, from approximately HK\$59.9 million for the five months ended 31 August 2014 to approximately HK\$73.6 million for the five months ended 31 August 2015. Such increase was mainly attributable to the increase in the revenue from trading of construction machinery and parts for the five months ended 31 August 2015.

Staff costs

Our staff costs decreased by approximately HK\$1.8 million, or 8.7%, from approximately HK\$20.8 million for the five months ended 31 August 2014 to approximately HK\$19.0 million for the five months ended 31 August 2015. Such decrease was mainly attributable to the decrease in number of operating hours of our operators in rental of construction machinery services.

Sub-leasing expenses

Our sub-leasing expenses decreased by approximately HK\$10.9 million, or 55.1%, from approximately HK\$19.8 million for the five months ended 31 August 2014 to approximately HK\$8.9 million for the five months ended 31 August 2015. Such decrease was mainly attributable to the decrease in number of machinery under the sub-leasing arrangement.

Gross profit and gross profit margin

Our gross profit decreased by approximately HK\$21.2 million, or 57.3%, from approximately HK\$37.0 million for the five months ended 31 August 2014 to approximately HK\$15.8 million for the five months ended 31 August 2015. In addition, our gross profit margin was approximately 11.3% for the five months ended 31 August 2015 which decreased from approximately 22.7% for the five months ended 31 August 2014. The gross profit and gross profit margin had decreased because the significant decline of the gross profit margin of construction machinery rental services.

Rental of construction machinery

Our gross profit of construction machinery rental services decrease by approximately HK\$21.8 million from approximately HK\$23.6 million for the five months ended 31 August 2014 to approximately HK\$1.8 million for the five months ended 31 August 2015. In addition, our gross profit margin of construction machinery rental services decreased from approximately 26.8% for the five months ended 31 August 2014 to approximately 3.7% for the five months ended 31 August 2015. The

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decrease in gross profit margin of construction machinery rental services was mainly attributable to the high level of fixed cost to be maintained given the lower revenue and utilisation rate recorded for the five months ended 31 August 2015.

Trading of construction machinery and parts

Our gross profit for trading of construction machinery and parts segment increase by approximately HK\$0.3 million from approximately HK\$13.5 million for the five months ended 31 August 2014 to approximately HK\$13.8 million for the five months ended 31 August 2015.

In addition, our gross profit margin for trading of construction machinery and parts decreased from approximately 18.4% for the five months ended 31 August 2014 to approximately 15.2% for the five months ended 31 August 2015. The decrease in gross profit margin for trading of construction machinery and parts was mainly attributable to the increase in trading of new machineries, which usually has a lower profit margin than the used machineries for the five months ended 31 August 2015.

Transportation services

For the transportation services, we recorded a gross loss of approximately HK\$0.2 million for the five months ended 31 August 2014 turned into a gross profit of approximately HK\$0.1 million for the five months ended 31 August 2015.

In addition, our gross profit margin of transportation services improved from approximately -12.4% for the five months ended 31 August 2014 to approximately 13.8% for the five months ended 31 August 2015.

Such improvement in gross profit margin of transportation services segment was mainly attributable to decrease in repair and maintenance expenses on certain transportation fleet for the five months ended 31 August 2015.

Other income and gains

Our other income and gains increased by approximately HK\$0.4 million, or 28.6%, from approximately HK\$1.4 million for the five months ended 31 August 2014 to approximately HK\$1.8 million for the five months ended 31 August 2015. The increase in other income and gains was mainly attributable to the gains on the foreign exchange of approximately HK\$0.7 million.

Administrative expenses

Our administrative expenses increased by approximately HK\$1.5 million, or 19.5%, from approximately HK\$7.7 million for the five months ended 31 August 2014 to approximately HK\$9.2 million for the five months ended 31 August 2015. The increase in administrative expenses was mainly attributable to the salary increment.

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Finance costs

Our finance costs slightly decreased by approximately HK\$0.3 million, or 10.3%, from approximately HK\$2.9 million for the five months ended 31 August 2014 to approximately HK\$2.6 million for the five months ended 31 August 2015. The decrease in finance costs was mainly attributable to the decrease in bank borrowings and finance lease payables.

Income tax expense

Our income tax expense decreased by approximately HK\$4.7 million, or 85.5%, from approximately HK\$5.5 million for the five months ended 31 August 2014 to approximately HK\$0.8 million for the five months ended 31 August 2015. The decrease in income tax expense was in line with the decrease in profit.

Effective tax rate

Our effective tax rate decreased from approximately 22.1% for the five months ended 31 August 2014 to approximately 17.5% for the five months ended 31 August 2015 which was mainly due to the decrease in non-deductible Listing expenses from approximately HK\$3.1 million for the five months ended 31 August 2014 to HK\$1.2 million for the five months ended 31 August 2015.

FY2015 compared to FY2014

Revenue

Our total revenue slightly increased by approximately HK\$52.1 million, or 16.4%, from approximately HK\$316.8 million for FY2014 to approximately HK\$368.9 million for FY2015. Such increase was mainly attributable to the increase in revenue generated from trading of construction machinery and parts.

Rental of construction machinery

Our revenue from construction machinery rental segment decreased by approximately HK\$21.8 million, or 11.1%, from approximately HK\$196.5 million for FY2014 to approximately HK\$174.7 million for FY2015. Such decrease was mainly attributable to the substantial completion of construction phase which required our construction machineries by our Group's major rental customers in FY2014 and the delay in the commencement of new projects as a result of delay in funding approval by the Hong Kong Government for certain development plans. Such delay is in-line with the decrease in revenue contributed from public-related projects which are relating to transportation system from approximately HK\$130.7 million in FY2014 to approximately HK\$77.3 million in FY2015, which represent a decrease of approximately 40.9% for the foregoing period.

According to the IPSOS Report, due to the delays in the approval for funding applications for some development plans, which affect the expenditure on government projects to be granted during the financial year of 2014, as well as the commencement of the relevant projects operating by the construction work companies, such as our potential and existing customers. Moreover, the estimated public expenditure of spending around HK\$78.2 billion in 2014 stated in 2014–15 Budget Speech was revised to around HK\$73.9 billion for the same period in 2015–16 Budget Speech which represents a

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shortfall of approximately 5.5%. Such decrease was partly attributed to the negative impact of the delay in funding approval by the Legislative Council of Hong Kong. It thus created pressure on the construction industry as well as the construction machinery rental industry.

Trading of construction machinery and parts

Our revenue from trading of construction machinery and parts increased by approximately HK\$74.4 million, or 63.6%, from approximately HK\$117.0 million for FY2014 to approximately HK\$191.4 million for FY2015. Such increase was mainly attributable to the increase in trading volume of construction machineries due to (i) the depreciation of Yen which cause the purchase cost of our crawler cranes manufactured from Japan would be relatively more competitive in the selling price; and (ii) the increase in marketing effort by our Group. For details of the marketing and sales activities of our Group, please refer to the section headed “Business — Sales and marketing” in this prospectus.

Transportation services

Our revenue from transportation services decreased by approximately HK\$0.4 million, or 12.5%, from approximately HK\$3.2 million for FY2014 to approximately HK\$2.8 million for FY2015. Such decrease were mainly attributable to the decrease in operation scale due to the retirement of certain transportation fleet which are eligible for ex-gratia payment under the Hong Kong government policy of phasing out pre-Euro IV diesel commercial vehicles. In FY2015, our Group recognised such ex-gratia payment as other income in an aggregate amount of approximately HK\$1.2 million.

Cost of sales and services rendered

Our cost of sales and services rendered increased by approximately HK\$60.5 million, or 24.6%, from approximately HK\$245.9 million for FY2014 to approximately HK\$306.4 million for FY2015, which was mainly attributable to the increase in cost for purchase of machinery as a result of the increase in number of construction machineries purchased for trading.

Purchase of machinery and spare parts

Our cost of purchase of machinery and spare parts for trading increased by approximately HK\$59.4 million, or 58.2%, from approximately HK\$102.0 million for FY2014 to approximately HK\$161.4 million for FY2015. Such increase was mainly attributable to the increase in number of construction machineries purchased for trading.

Staff costs

Our staff costs decreased by approximately HK\$1.6 million, or 3.1%, from approximately HK\$50.9 million for FY2014 to approximately HK\$49.3 million for FY2015. Such decrease was mainly attributable to the decrease in number of operating hours of our operators in rental of construction machinery.

Sub-leasing expenses

Our sub-leasing expenses increased by approximately HK\$5.2 million, or 15.8%, from approximately HK\$33.0 million for FY2014 to approximately HK\$38.2 million for FY2015. Such increase was mainly attributable to the six construction machineries we rented from one construction

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machinery manufacturer with a minimum rental period of 12 months during the Track Record Period, however, the machines were not fully rented out as expected due to the delay in commencement of several government construction projects engaged by our customers.

Gross profit and gross profit margin

Our gross profit decreased by approximately HK\$8.5 million, or 12.0%, from approximately HK\$71.0 million to approximately HK\$62.5 million for FY2015. In addition, our gross profit margin was approximately 16.9% for FY2015 which decreased from approximately 22.4% for FY2014. The gross profit and gross profit margin had decreased because of the decline in gross profit contributed from rental of construction machinery.

Rental of construction machinery

Our gross profit of construction machinery rental services decreased by approximately HK\$24.1 million from approximately HK\$56.4 million for FY2014 to approximately HK\$32.3 million for FY2015. In addition, our gross profit margin of construction machinery rental services decreased from approximately 28.7% for FY2014 to approximately 18.5% for FY2015.

The decrease in gross profit margin of construction machinery rental services was mainly attributable to the combined effect of (i) the decrease in revenue from rental of construction machinery from rental fleet; (ii) the decrease in gross profit from sub-leasing; and (iii) costs such as depreciation, repair and maintenance, and insurance remained at similar level as FY2014 in order to maintain the construction machinery fleet size.

Trading of construction machinery and parts

Our gross profit of trading of construction machinery and parts segment increased by approximately HK\$15.9 million from approximately HK\$13.9 million for FY2014 to approximately HK\$29.8 million for FY2015.

In addition, our gross profit margin for trading of construction machinery and parts increased from approximately 11.9% for FY2014 to approximately 15.6% for FY2015.

The increase in gross profit margin for trading of construction machinery and parts was mainly attributable to the increase in trading volume of used machineries, which normally has higher gross profit margin than new machineries.

Transportation services

Our gross profit of trading of transportation services segment decreased by approximately HK\$0.3 million from approximately HK\$0.7 million for FY2014 to approximately HK\$0.4 million for FY2015.

In addition, our gross profit margin of transportation services segment decreased from approximately 20.2% for FY2014 to approximately 13.4% for FY2015.

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The decrease in gross profit margin of transportation services segment was mainly attributable to the combined effect of (i) the decrease in revenue from transportation services; and (ii) costs such as staff costs, licence fee and insurance cost remained at similar level as FY2014 in order to maintain the transportation fleet size for operation.

Other income and gains

Our other income and gains increased by approximately HK\$3.4 million, or 121%, from approximately HK\$2.8 million for FY2014 to approximately HK\$6.2 million for FY2015. The increase in other income and gains was mainly attributable to the government allowance for retirement of commercial vehicles of our transportation fleet of approximately HK\$1.2 million and gain on disposal of investment property of approximately HK\$2.0 million.

Listing expenses

For FY2015, our Group incurred Listing expenses of approximately HK\$8.4 million. For details, please refer to the paragraph headed “Listing expenses” in this section.

Administrative expenses

Our administrative expenses increased by approximately HK\$2.6 million, or 13.6%, from approximately HK\$19.1 million for FY2014 to approximately HK\$21.7 million for FY2015. The increase in administrative expenses was mainly attributable to (i) the increase in staff costs due to the increase in the number of staff; and (ii) the increase in depreciation expenses due to additional motor vehicles purchased and leasehold improvement.

Finance costs

Our finance costs slightly decreased by approximately HK\$1.0 million, or 12.8%, from approximately HK\$7.8 million for FY2014 to approximately HK\$6.8 million for FY2015. The decrease in finance costs was mainly attributable to the decrease in finance lease payables.

Income tax expense

Our income tax expense decreased by approximately HK\$0.7 million, or 9.1%, from approximately HK\$7.7 million for FY2014 to approximately HK\$7.0 million for FY2015. The decrease in income tax expense was mainly attributable to the decrease in profit.

Effective tax rate

Our effective tax rate increased from 16.3% for FY2014 to 22.2% for FY2015 which was mainly due to non-tax deductible Listing expenses of approximately HK\$8.4 million.

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FY2014 compared to FY2013

Revenue

Our total revenue increased by approximately HK\$73.9 million, or 30.4%, from approximately HK\$242.9 million for FY2013 to approximately HK\$316.8 million for FY2014. Such increase was mainly attributable to the increase in revenue generated from trading of construction machinery and parts.

Rental of construction machinery

Our revenue from construction machinery rental remained stable at approximately HK\$197.3 million and approximately HK\$196.5 million for FY2013 and FY2014, respectively.

Trading of construction machinery and parts

Our revenue from trading of construction machinery and parts increased by approximately HK\$76.4 million, or 188.2%, from approximately HK\$40.6 million for FY2013 to approximately HK\$117.0 million for FY2014. Such increase was mainly attributable to the increase in trading of crawler cranes due to our increase in sales and marketing effort through our dealership and increase in demand in the market.

Transportation services

Our revenue from transportation services decreased by approximately HK\$1.8 million, or 36.0%, from approximately HK\$5.0 million for FY2013 to approximately HK\$3.2 million for FY2014. Such decrease was mainly attributable to the decrease in operation scale due to the retirement of certain transportation fleet.

Cost of sales and services rendered

Our cost of sales and services rendered increased by approximately HK\$73.0 million, or 42.2%, from approximately HK\$172.9 million for FY2013 to approximately HK\$245.9 million for FY2014, which was mainly attributable to (i) the increase in cost of services rendered for construction machinery rental which was in line with the increase in revenue for that segment; and (ii) the significant increase in cost of purchase of construction machinery for trading mainly due to the increase in number of sales of crawler cranes.

Purchase of machinery and spare parts

Our cost of purchase of machinery and spare parts increased by approximately HK\$68.5 million, or 204.5%, from approximately HK\$33.5 million for FY2013 to approximately HK\$102.0 million for FY2014. Such increase was in line with the increase in revenue from trading of construction machinery and parts.

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Staff costs

Our staff costs increased by approximately HK\$2.3 million, or 4.7%, from approximately HK\$48.6 million for FY2013 to approximately HK\$50.9 million for FY2014. Such increase was mainly attributable to the salary increment.

Sub-leasing expenses

Our sub-leasing expenses decreased by approximately HK\$6.5 million, or 16.5%, from approximately HK\$39.5 million for FY2013 to approximately HK\$33.0 million for FY2014. Such decrease was mainly attributable to the decrease in number of sub-leasing machinery engaged as we could perform the engagements by using our own rental fleet.

Gross profit and gross profit margin

Our gross profit increased by approximately HK\$1.0 million, or 1.4%, from approximately HK\$70.0 million for FY2013 to approximately HK\$71.0 million for FY2014. In addition, our gross profit margin was approximately 22.4% in FY2014 which decreased from approximately 28.8% in FY2013.

Rental of construction machinery

Our gross profit of construction machinery rental services decreased by approximately HK\$6.2 million, or 9.9%, from approximately HK\$62.6 million for FY2013 to approximately HK\$56.4 million for FY2014. In addition, our gross profit margin of construction machinery rental services segment decreased from approximately 31.7% in FY2013 to approximately 28.7% in FY2014.

The decrease in gross profit margin of construction machinery rental services was mainly attributable to the increase in staff costs, repair and maintenance of machinery and depreciation of machinery.

Trading of construction machinery and parts

The gross profit of our trading of construction machinery and parts increased by approximately HK\$8.6 million, or 162.3%, from approximately HK\$5.3 million for FY2013 to approximately HK\$13.9 million for FY2014.

In addition, the gross profit margin for our trading of construction machinery and parts decreased from approximately 13.1% in FY2013 to approximately 11.9% in FY2014.

The decrease in gross profit margin for trading of construction machinery and parts segment was mainly attributable to the increase in number of sale of new construction machinery with lower gross profit margin than that of the used construction machinery.

Transportation services

The gross profit of our transportation services decreased by approximately HK\$1.5 million, or 68.2%, from approximately HK\$2.2 million for FY2013 to approximately HK\$0.7 million for FY2014.

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In addition, our gross profit margin of transportation services decreased from approximately 43.0% in FY2013 to approximately 20.2% in FY2014.

The decrease in gross profit margin of transportation services was mainly attributable to the decrease in gross profit while part of the direct cost such as staff costs, licence fee and insurance cost were fixed.

Other income and gains

Our other income and gains decreased by approximately HK\$1.3 million, or 31.7%, from approximately HK\$4.1 million for FY2013 to approximately HK\$2.8 million for FY2014. The decreased in other income and gains was mainly attributable to (i) the decrease in interest income mainly due to the decrease in interest-bearing loans from related companies in FY2014; and (ii) the decrease in rental income from leasing warehouse property mainly due to termination of some rental contracts in FY2014.

Administrative expenses

Our administrative expenses increased by approximately HK\$3.9 million, or 25.7%, from approximately HK\$15.2 million for FY2013 to approximately HK\$19.1 million for FY2014. The increase in administrative expenses was mainly attributable to the increase in staff costs mainly due to salary increment and professional fees mainly due to legal fee for litigation case as disclosed in the section headed “Business — Legal proceedings and compliance” in this prospectus.

Finance costs

Our finance costs remained stable at approximately HK\$7.8 million for FY2013 and FY2014.

Income tax expense

Our income tax expense increased by approximately HK\$1.7 million, or 28.3%, from approximately HK\$6.0 million for FY2013 to approximately HK\$7.7 million for FY2014. The increase in income tax expense was in line with the increase in profit.

Effective tax rate

Our effective tax rate increased from approximately 15.3% for FY2013 to approximately 16.3% for FY2014 which was mainly due to a non-taxable income of approximately HK\$3.7 million from the sales proceeds for disposal of fixed assets, which was capital gain in nature in FY2013.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we principally financed our working capital and other liquidity requirements through a combination of cash flow from operations, bank loans, bank overdraft and finance leases.

Our principal uses of cash have been, and are expected to continue to be, operational costs and purchase of construction machinery and parts for trading and rental purposes.

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Cash flows

The following table sets forth a summary of our cash flows during the Track Record Period:

	For the year ended 31 March			For the five months ended 31 August	
	2013	2014	2015	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities	64,548	105,515	125,391	66,876	32,795
Net cash used in investing activities	(42,476)	(64,139)	(86,711)	(37,261)	(6,125)
Net cash used in financing activities	<u>(33,793)</u>	<u>(2,751)</u>	<u>(13,885)</u>	<u>(21,813)</u>	<u>(30,165)</u>
Net (decrease)/increase in cash and cash equivalents	(11,721)	38,625	24,795	7,802	(3,495)
Cash and cash equivalents at beginning of the year/period	<u>1,453</u>	<u>(10,268)</u>	<u>28,357</u>	<u>28,357</u>	<u>53,152</u>
Cash and cash equivalents at end of the year/period	<u><u>(10,268)</u></u>	<u><u>28,357</u></u>	<u><u>53,152</u></u>	<u><u>36,159</u></u>	<u><u>49,657</u></u>

Cash flow generated from operating activities

We derive our cash generated from operating activities principally from receipt of payments from rental and trading of construction machinery and parts. Cash used in operating activities is principally for purchase of construction machinery and parts for trading purpose and operational expenses such as staff cost, sub-leasing and repair and maintenance expenses.

Net cash flows generated from operating activities for the five months ended 31 August 2015 were approximately HK\$32.8 million while our profit before tax was approximately HK\$4.5 million. The net cash generated from operating activities was mainly the result of operating profits of approximately HK\$22.5 million and net working capital inflow of approximately HK\$10.5 million. The net working capital inflow primarily consisted of decrease in trade receivables, amounts due from related companies and trade payable.

Net cash flows generated from operating activities for FY2015 were approximately HK\$125.4 million while our profit before tax was approximately HK\$31.3 million. The net cash generated from operating activities was mainly the result of operating profits of approximately HK\$72.2 million and net working capital inflow of approximately HK\$60.5 million. The net working capital inflow primarily consisted of decrease in inventories and decrease in amounts due from related companies, but partially offset by increase in trade receivables.

Net cash flows generated from operating activities for FY2014 were approximately HK\$105.5 million while our profit before tax was approximately HK\$46.9 million. The net cash generated from operating activities was mainly the result of operating profit of HK\$89.8 million and net working capital

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inflow of approximately HK\$17.8 million. The net working capital inflow primarily consisted of decrease in trade receivables and prepayments, deposits and other receivables, partially offset by decrease in accruals, deposits received and other payables and amount due from related companies.

Net cash flows generated from operating activities for FY2013 were approximately HK\$64.5 million while our profit before tax was approximately HK\$39.1 million. The net cash generated from operating activities was mainly the result of operating profit of approximately HK\$90.1 million and net working capital outflow of approximately HK\$20.3 million. The net working capital outflow primarily consisted of increase in trade receivables, prepayments, deposits and other receivables, partially offset by decrease in amounts due from related companies and accruals, deposits received and other payables.

Cash flow used in investing activities

Our investing activities during the Track Record Period primarily included investing in construction machinery for rental purpose, amounts due from a shareholder and a director and finance lease receivables.

Net cash flows used in investing activities for the five months ended 31 August 2015 were approximately HK\$6.1 million which were mainly attributable to purchase of property, plant and equipment and increase in amount due from a shareholder.

Net cash flows used in investing activities for FY2015 were approximately HK\$86.7 million which were mainly attributable to purchase of property, plant and equipment, increase in amount due from a shareholder and increase in finance lease receivables.

Net cash flows used in investing activities for FY2014 were approximately HK\$64.1 million which were mainly attributable to purchase of property, plant and equipment and increase in amount due from a shareholder.

Net cash flows used in investing activities for FY2013 were approximately HK\$42.5 million which were mainly attributable to purchase of property, plant and equipment.

Cash flow used in financing activities

Our financing activities during the Track Record Period mainly included proceeds from and repayments of bank borrowings and finance lease.

Net cash flows used in financing activities for the five months ended 31 August 2015 were approximately HK\$30.2 million which were mainly attributable to repayments of bank borrowings and finance lease payables, partially offset by proceeds from borrowings and finance lease.

Net cash flows used in financing activities for FY2015 were approximately HK\$13.9 million which were mainly attributable to repayments of bank borrowings and finance lease payables, partially offset by proceeds from borrowings and finance lease.

Net cash flows used in financing activities for FY2014 were approximately HK\$2.8 million which were mainly attributable to repayment of bank borrowings and finance lease payables, partially offset by the proceeds from borrowings.

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Net cash flows used in financing activities for FY2013 were approximately HK\$33.8 million which were mainly attributable to the repayment of bank borrowings and finance lease payables.

CAPITAL EXPENDITURES

Historical Capital Expenditures

Our capital expenditures, which were funded out of the bank loans, finance leases, and cash flows from our operations have been primarily used to expand our rental fleet. The following table sets out our historical capital expenditures during the Track Record Period:

	For the year ended 31 March			For the five months ended
	2013	2014	2015	31 August 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment				
Leasehold improvements	—	—	1,958	161
Machinery	89,498	38,689	44,029	3,275
Furniture and equipment	29	53	336	57
Motor vehicles	<u>1,987</u>	<u>2,389</u>	<u>2,740</u>	<u>283</u>
Total	<u><u>91,514</u></u>	<u><u>41,131</u></u>	<u><u>49,063</u></u>	<u><u>3,776</u></u>

Planned capital expenditures

For the years ending 31 March 2016 and 2017, we estimate that the capital expenditures will amount to approximately HK\$41.5 million and HK\$60.1 million, respectively, primarily for expanding our construction machinery rental fleet and introducing centralised digital fleet management system to our Group.

Our Group's planned capital expenditures are subject to revision based upon any future changes in our business plan, market conditions, and economic and regulatory environment. Please refer to the section headed "Future plans and use of proceeds" in this prospectus for further information.

We plan to finance future capital expenditures mainly through the net proceeds of the Share Offer, bank loans, as well as from cash flows generated from operations. We believe that these sources of funding will be sufficient to finance our contractual commitments and capital expenditure needs for the next 12 months.

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CAPITAL AND CONTRACTUAL COMMITMENTS

Capital commitments

Our capital commitments consist primarily of purchase of construction machinery for rental purpose. Our capital commitments of plant and construction machinery, and leasehold improvements contracted for but not provided amounted to nil, HK\$11.3 million, HK\$66,000 and nil as at 31 March 2013, 31 March 2014, 31 March 2015 and 31 August 2015 respectively.

Operating lease commitments

The table below sets forth the outstanding commitments under these non-cancellable lease agreements as of the dates indicated:

	As at 31 March			As at
	2013	2014	2015	31 August
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than one year	1,533	647	315	3,081
Later than one year and not later than five years	<u>1,759</u>	<u>1,123</u>	<u>84</u>	<u>1,588</u>
	<u><u>3,292</u></u>	<u><u>1,770</u></u>	<u><u>399</u></u>	<u><u>4,669</u></u>

Our operating lease commitments represented the leases of various warehouse and construction machineries under non-cancellable operating lease agreements. The lease terms were between one and five years. As at 31 March 2013, 31 March 2014, 31 March 2015 and 31 August 2015, our lease commitments amounted to approximately HK\$3.3 million, HK\$1.8 million, HK\$0.4 million and HK\$4.7 million, respectively.

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NET CURRENT ASSETS/LIABILITIES

The following table sets forth the breakdown of our current assets, current liabilities, and net current assets/liabilities as at 31 March 2013, 31 March 2014, 31 March 2015, 31 August 2015 and 30 September 2015, being the latest practicable date for determining our Group's indebtedness:

	As at 31 March			As at 31 August 2015	As at 30 September 2015
	2013	2014	2015	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					(unaudited)
Current assets					
Inventories	510	4,379	887	5,580	5,588
Trade receivables	80,371	66,630	71,783	51,011	57,670
Prepayments, deposits and other receivables	20,702	11,728	12,926	20,321	26,338
Finance lease receivables	—	—	4,010	4,100	4,118
Amounts due from related companies	27,109	30,462	10,502	7	4
Amount due from a shareholder	1,200	16,200	57,980	—	—
Amount due from a director	3,745	12,721	1,125	402	576
Pledged bank deposits	—	—	4,550	4,560	4,566
Cash and cash equivalents	9,263	28,357	53,152	49,657	47,222
Current tax recoverable	4,620	3,649	3,411	3,411	3,411
	147,520	174,126	220,326	139,049	149,493
Current liabilities					
Trade payables	7,998	10,961	18,765	8,092	7,697
Accruals, deposits received and other payables	18,662	12,745	15,099	14,902	13,616
Amounts due to related companies	347	661	3,965	—	—
Bank overdrafts	19,531	—	—	—	—
Borrowings	34,160	67,041	81,884	67,520	68,625
Finance lease payables	90,531	66,076	42,989	40,349	37,748
Current tax liabilities	458	3,158	739	2,266	4,495
	171,687	160,642	163,441	133,129	132,181
Net current (liabilities)/assets	(24,167)	13,484	56,885	5,920	17,312

As at 31 March 2013, our Group had net current liabilities of approximately HK\$24.2 million. Due to the nature of our business, we purchased construction machinery for our rental business and we financed our purchase by the combination of cash, bank borrowings, bank overdrafts and finance lease.

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While our construction machinery was classified as non-current assets, our bank borrowings which finance the purchases of construction machinery was classified as current liabilities due to the repayment on demand clause.

As at 31 March 2014, the net current assets of our Group were approximately HK\$13.5 million. Our net current assets increased by approximately HK\$37.7 million from approximately net current liabilities of approximately HK\$24.2 million as at 31 March 2013 to net current assets of approximately HK\$13.5 million as at 31 March 2014. Such increase was mainly attributable to the increase in cash and cash equivalents of approximately HK\$19.1 million and decrease in current finance lease payables of approximately HK\$24.5 million, partially offset by decrease in trade receivables of approximately HK\$13.7 million and increase in trade payables of approximately HK\$3.0 million.

As at 31 March 2015, the net current assets of our Group were approximately HK\$56.9 million. Our net current assets increased by approximately HK\$43.4 million from approximately HK\$13.5 million as at 31 March 2014 to approximately HK\$56.9 million as at 31 March 2015. Such increase was mainly attributable to the increase in amount due from a shareholder of approximately HK\$41.8 million and partially offset by increase in borrowings of approximately HK\$14.8 million.

As at 31 August 2015, the net current assets of our Group were approximately HK\$5.9 million. Our net current assets decreased by approximately HK\$51.0 million from approximately HK\$56.9 million as at 31 March 2015 to approximately HK\$5.9 million as at 31 August 2015. Such decrease was mainly due to the settlement of the amount due from a shareholder of approximately HK\$58.0 million by setting off against dividend payable to the shareholder on 30 June 2015 of HK\$62.0 million.

As at 30 September 2015, being the latest practicable date for determining our Group's indebtedness, the net current assets of our Group were approximately HK\$17.3 million. Our net current assets increased by approximately HK\$11.4 million from approximately HK\$5.9 million as at 31 August 2015 to approximately HK\$17.3 million as at 30 September 2015. Such increase was mainly attributable to the increase in trade receivables and prepayment, deposits and other receivables of approximately HK\$6.7 million and HK\$6.0 million, respectively.

ANALYSIS OF SELECTED COMBINED STATEMENT OF FINANCIAL POSITION ITEMS

Property, plant and equipment

During the Track Record Period, our property, plant and equipment mainly represented construction machineries, leasehold land and building, motor vehicles, furniture and fixtures. As at 31 March 2013, 31 March 2014, 31 March 2015 and 31 August 2015, our property, plant and equipment amounted to approximately HK\$248.6 million, HK\$249.4 million, HK\$234.4 million and HK\$216.2 million, respectively. Our property, plant and equipment maintained at a stable level as at 31 March 2013, 2014 and 2015, and 31 August 2015.

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Inventories

Our inventories consist primarily machinery and spare parts for trading. The following table sets forth our inventories as at the indicated dates:

	As at 31 March			As at 31 August
	2013	2014	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Machinery	—	3,518	180	4,837
Spare parts	<u>510</u>	<u>861</u>	<u>707</u>	<u>743</u>
	<u>510</u>	<u>4,379</u>	<u>887</u>	<u>5,580</u>

As at 31 March 2013, 31 March 2014, 31 March 2015 and 31 August 2015, our inventories amounted to approximately HK\$0.5 million, HK\$4.4 million, HK\$0.9 million and HK\$5.6 million, respectively. During the Track Record Period, the inventories were maintained at a stable level, except for FY2014. The increase in inventories of approximately HK\$3.9 million from HK\$0.5 million as at 31 March 2013 to approximately HK\$4.4 million as at 31 March 2014, which was mainly attributable to one machine ordered by our customer but not yet collected as at 31 March 2014. The inventory as at 31 March 2015 mainly comprised of spare parts which was maintained at similar level as compared with as at 31 March 2014. As at 31 August 2015, the inventory was mainly attributable to the machines ordered by our customers but not yet collected.

The following table sets forth our average inventory turnover days as of the indicated dates:

	As at 31 March			As at 31 August
	2013	2014	2015	2015
	Average inventory turnover days ^(Note)	<u>3</u>	<u>4</u>	<u>3</u>

Note: Average inventory turnover days is equal to the average inventory divided by total cost of sale and services rendered and multiplied by 365 days for year ended 31 March 2013, 31 March 2014 and 31 March 2015, and by 153 days for the five months ended 31 August 2015. Average inventory equals inventory at the beginning of the year/period plus inventory at the end of the year/period and divided by two.

Our average inventory turnover days remained stable at approximately 3, 4, 3 and 4 days as at 31 March 2013, 31 March 2014, 31 March 2015 and 31 August 2015, respectively.

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Trade receivables

Our trade receivables consist primarily of receivables from provision of rental and transportation services from customers. The following table sets forth our trade receivables as at the indicated dates:

	As at 31 March			As at
	2013	2014	2015	31 August
	HK\$'000	HK\$'000	HK\$'000	2015 HK\$'000
Trade receivables, gross	92,470	78,729	83,882	63,110
Less: Provision for impairment	<u>(12,099)</u>	<u>(12,099)</u>	<u>(12,099)</u>	<u>(12,099)</u>
Trade receivables, net	<u>80,371</u>	<u>66,630</u>	<u>71,783</u>	<u>51,011</u>

As at 31 March 2013, 31 March 2014, 31 March 2015 and 31 August 2015, our trade receivables amounted to approximately HK\$80.4 million, HK\$66.6 million, HK\$71.8 million and HK\$51.0 million, respectively. The decrease in trade receivables of approximately HK\$13.8 million from HK\$80.4 million as at 31 March 2013 to approximately HK\$66.6 million as at 31 March 2014, which was mainly attributable to increased effort in credit control. The increase in trade receivables of approximately HK\$5.2 million from HK\$66.6 million as at 31 March 2014 to approximately HK\$71.8 million as at 31 March 2015, which was in line with our increase in revenue. The decrease in trade receivables of approximately HK\$20.8 million from HK\$71.8 million as at 31 March 2015 to approximately HK\$51.0 million as at 31 August 2015 was mainly due to decrease in revenue in rental of construction machinery.

	As at 31 March			As at
	2013	2014	2015	31 August
				2015
Average trade receivable turnover days by business segments ^(Note)				
Rental of construction machinery	122	135	126	152
Trading of construction machinery and parts	0	0	16	22
Transportation services	74	100	63	39
Overall	<u>101</u>	<u>85</u>	<u>68</u>	<u>67</u>

Note: Average trade receivables turnover days is are equal to the average trade receivables divided by revenue and multiplied by 365 days for year ended 31 March 2013, 31 March 2014 and 31 March 2015, and by 153 days for the five months ended 31 August 2015. Average trade receivables are equal to trade receivables at the beginning of the year/period plus trade receivables at the end of the year/period and divided by two.

The average trade receivable turnover days decreased from approximately 101 days as at 31 March 2013 to approximately 85 days as at 31 March 2014, and further decreased to approximately 68 days as at 31 March 2015 and subsequently decreased to approximately 67 days as at 31 August 2015.

The average trade receivable turnover days in rental of construction machinery increased from approximately 122 days as at 31 March 2013 to approximately 135 days as at 31 March 2014, and decreased to approximately 126 days as at 31 March 2015 and further increased to approximately 152

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days as at 31 August 2015, which was mainly attributable to several major customers who required longer time to receive payments from their onward customers (i.e. the main constructors) before processing and making payments to our Group.

The average trade receivable turnover days in rental of construction machinery is beyond the standard credit period of 30 days mainly attributable to (i) several customers which are more sizeable construction companies were in a better position to negotiate with us on credit terms; and (ii) we allow longer settlement time to those sizeable construction companies as a mean to maintain business relationship. We considered it is an industry norm as our average trade receivable turnover days is similar to other construction companies in our industry.

As at 31 March 2013, 2014 and 2015, and 31 August 2015, the average trade receivable turnover days in trading of construction machinery and parts were nil, nil, approximately 16 days and approximately 22 days respectively. The average trade receivable turnover days in trading of construction machinery and parts increased from nil in FY2014 to approximately 16 days in FY2015 was attributable to: (i) one of the rental customers subsequently purchased the construction machinery rented from our Group in which we granted a credit period of 30 days to the said customer for this purchase. The amount due from the said customer was still outstanding as at 31 March 2015 and has been settled before the Latest Practicable Date; and (ii) as at 31 March 2015, our Group granted credit period of 90 days to one of our major customers in view of its close business relationship with our Group. The average trade receivable turnover days in trading of construction machinery and parts further increased to approximately 22 days as at 31 August 2015 which was attributable to the payments of three purchased construction machineries not being settled by our customers as at 31 August 2015. As at the Latest Practicable Date, payments of two of the said machineries have been fully settled and the remaining machinery, with a credit period of 90 days granted to the customer, has not yet become due.

The table below sets forth the ageing analysis of our trade receivables, based on invoice date and net of impairment as at the indicated dates:

	As at 31 March			As at
				31 August
	2013	2014	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 month	24,726	16,263	24,966	19,389
More than 1 month but not more than 3 months	39,288	30,502	29,589	15,863
More than 3 months but not more than 6 months	5,565	10,975	3,090	5,739
More than 6 months but not more than a year	5,546	7,302	11,255	4,645
More than a year	<u>5,246</u>	<u>1,588</u>	<u>2,883</u>	<u>5,375</u>
	<u><u>80,371</u></u>	<u><u>66,630</u></u>	<u><u>71,783</u></u>	<u><u>51,011</u></u>

The trade receivables that were past due but not impaired relate to a number of independent clients that have a good track record with us. Based on past experience, we believe no provision for impairment is necessary in respect of these balances as there has not been a significant change in the credit quality of these clients and the balances are still considered fully recoverable. We do not hold any collateral over these balances.

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As at 31 March 2013, 31 March 2014, 31 March 2015 and 31 August 2015, the balance of our provisions for impairment of trade receivables amounted to approximately HK\$12.1 million. For details of the impairment of trade receivable during the Track Record Period, please refer to the paragraph headed “Description of selected line items of combined statements of comprehensive income — Impairment of trade receivables” in this section. During the Track Record Period, no written off of provision of trade receivable has been recorded.

As at 30 September 2015, being the latest practicable date for determining our Group’s indebtedness, trade receivables of approximately HK\$16.7 million or approximately 32.7% as at 31 August 2015 had been subsequently settled.

Prepayments, deposits and other receivables

The following table sets forth our prepayments, deposits and other receivables as at the indicated dates:

	As at 31 March			As at 31 August
	2013	2014	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Prepayments	815	1,242	3,858	6,748
Deposits	19,169	9,829	7,986	12,660
Other receivables	<u>718</u>	<u>657</u>	<u>1,082</u>	<u>913</u>
	<u>20,702</u>	<u>11,728</u>	<u>12,926</u>	<u>20,321</u>

Our prepayments consist primarily of insurance prepayment for employee and construction machinery. As at 31 March 2013, 31 March 2014, 31 March 2015 and 31 August 2015, our prepayments amounted to approximately HK\$0.8 million, HK\$1.2 million, HK\$3.9 million and HK\$6.7 million, respectively. The increase in prepayment from approximately HK\$0.8 million as at 31 March 2013 to approximately HK\$6.7 million as at 31 August 2015 was mainly attributable to the increase in the insurance payment in advance for employees.

Our deposits consist primarily of deposit for purchase of construction machinery, rental deposit, utilities deposits and other deposits. As at 31 March 2013, 31 March 2014, 31 March 2015 and 31 August 2015, our deposits amounted to approximately HK\$19.2 million, HK\$9.8 million, HK\$8.0 million and HK\$12.7 million, respectively. The decrease in deposits from approximately HK\$19.2 million as at 31 March 2013 to approximately HK\$8.0 million as at 31 March 2015 was mainly attributable to the significant trading orders placed by our Group in FY2013 when the dealership was first introduced by our Group. The amount of deposits remained stable for FY2014 and FY2015.

The balances of other receivables are unsecured, interest-free and with no fixed repayment terms. Our Group’s other receivables were neither past due nor impaired as at 31 March 2013, 31 March 2014, 31 March 2015 and 31 August 2015. Our other receivables consist primarily of cash advance to staffs and insurance claims receivable. As at 31 March 2013 and 31 March 2014, our other receivables remained stable at approximately HK\$0.7 million for both dates. Our other receivables increased from approximately HK\$0.7 million as at 31 March 2014 to HK\$1.1 million as at 31 March 2015 which was

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mainly due to the increase in receivables due from the insurance company regarding the employment claim which concluded the compensation amount in January 2015. Our other receivables decreased from approximately HK\$1.1 million as at 31 March 2015 to HK\$0.9 million as at 31 August 2015 which was mainly due to the receipt from the insurance company regarding the employment claim.

Finance lease receivables

Our finance lease receivables consist primarily of leasing out of certain machineries for a period ranging from 3.5 years to 5 years. The following table sets forth our finance lease receivables as at the indicated dates:

	As at 31 March			As at
				31 August
	2013	2014	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Present value of minimum lease payments receivable:				
Not later than one year	—	—	4,010	4,100
Later than one year and not later than five years	—	—	9,420	7,685
	<u>—</u>	<u>—</u>	<u>13,430</u>	<u>11,785</u>

Finance lease receivables bore interest at fixed interest rates. The effective interest rates of finance lease receivables were ranging from approximately 4.6% to 5.9%. We have started the finance lease arrangement to our customers since April 2014.

Trade payables

Our trade payables consist primarily of payables to suppliers. The following table sets forth our trade payables as at the indicated dates:

	As at 31 March			As at
				31 August
	2013	2014	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	<u>7,998</u>	<u>10,961</u>	<u>18,765</u>	<u>8,092</u>

As at 31 March 2013, 31 March 2014, 31 March 2015 and 31 August 2015, our trade payables amounted to approximately HK\$8.0 million, HK\$11.0 million, HK\$18.8 million and HK\$8.1 million, respectively. The increase in trade payables of approximately HK\$3.0 million from approximately HK\$8.0 million as at 31 March 2013 to approximately HK\$11.0 million as at 31 March 2014, which was mainly attributable to the increase in repair and maintenance of machineries. The trade payables increased from approximately HK\$11.0 million as at 31 March 2014 to approximately HK\$18.8 million as at 31 March 2015 which was mainly attributable to the increase in purchase cost of construction machinery for trading. The trade payables decreased from approximately HK\$18.8 million as at 31

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March 2015 to approximately HK\$8.1 million as at 31 August 2015 which was mainly due to the settlement of payment within the credit period granted for the purchase of construction machinery for trading.

	As at 31 March			As at
	2013	2014	2015	31 August 2015
Average trade payables turnover days ^(Note)	<u>16</u>	<u>14</u>	<u>18</u>	<u>16</u>

Note: Average trade payables turnover days is equal to the average trade payables divided by cost of sales and services rendered and multiplied by 365 days for year ended 31 March 2013, 31 March 2014 and 31 March 2015, and by 153 days for the five months ended 31 August 2015. Average trade payables equals trade payables at the beginning of the year/period plus trade payables at the end of the year/period and divided by two.

Our average trade payables turnover days slightly decreased from approximately 16 days as at 31 March 2013 to approximately 14 days as at 31 March 2014, and increased to approximately 18 days as at 31 March 2015, and further decreased to approximately 16 days as at 31 August 2015. Such decrease as at 31 March 2014 was mainly attributable to the increase in cost of services from trading of construction machinery and spare parts which was paid before delivery. The increase in trade payable days as at 31 March 2015 was mainly attributable to the increase in purchase cost for trading of construction machinery. The decrease in trade payable days as at 31 August 2015 was mainly due to the settlement of payment within the credit period granted for the purchase of construction machinery for trading.

The table below sets forth the ageing analysis of the trade payables as at the indicated dates based on invoice dates:

	As at 31 March			As at
	2013	2014	2015	31 August 2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 1 month	3,054	5,521	10,769	2,489
More than 1 month but not more than 2 months	1,893	2,116	3,443	1,389
More than 2 months but not more than 6 months	1,642	1,116	944	2,880
More than 6 months but not more than a year	354	—	997	890
Over a year	<u>1,055</u>	<u>2,208</u>	<u>2,612</u>	<u>444</u>
	<u>7,998</u>	<u>10,961</u>	<u>18,765</u>	<u>8,092</u>

The credit period granted by suppliers was ranged from 0 to 45 days and the trade payables were non-interest-bearing.

As at 30 September 2015, being the latest practicable date for determining our Group's indebtedness, trade and other creditors of approximately HK\$2.6 million or 31.7% as at 31 August 2015 had been settled.

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Accruals, deposits received and other payables

The following table sets forth our accruals, deposits received and other payables as at the indicated dates:

	As at 31 March			As at
	2013	2014	2015	31 August
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Accruals	4,101	4,373	4,781	4,535
Deposits received	14,323	7,643	9,560	9,850
Other payables	<u>238</u>	<u>729</u>	<u>758</u>	<u>517</u>
	<u>18,662</u>	<u>12,745</u>	<u>15,099</u>	<u>14,902</u>

Our accruals consist primarily of accrued expense for salary, audit fee and other expenses. As at 31 March 2013, 31 March 2014, 31 March 2015 and 31 August 2015, our accruals amounted to approximately HK\$4.1 million, HK\$4.4 million, HK\$4.8 million and HK\$4.5 million, respectively. The increase in accruals from approximately HK\$4.1 million as at 31 March 2013 to approximately HK\$4.8 million as at 31 March 2015 and further decrease to approximately HK\$4.5 million as at 31 August 2015 was mainly attributable to the decrease in overall staff costs.

Our deposits received consist primarily of customers' deposit for purchase of construction machinery. As at 31 March 2013, 31 March 2014, 31 March 2015 and 31 August 2015, our deposit received amounted to approximately HK\$14.3 million, HK\$7.6 million, HK\$9.6 million and HK\$9.9 million, respectively. The decrease in deposit from approximately HK\$14.3 million as at 31 March 2013 to approximately HK\$7.6 million as at 31 March 2014 was mainly attributable to the significant trading deposits received in FY2013 when the dealership was first introduced by our Group. The increase in deposit from approximately HK\$7.6 million as at 31 March 2014 to approximately HK\$9.6 million as at 31 March 2015 was mainly attributable to the additional deposit in response to our surge in trading of construction machineries. The further increase in deposit received of approximately HK\$9.9 million as at 31 August 2015 was mainly attributable to the increase in deposit from customers regarding the trading of construction machineries.

Our other payables consist primarily of provision of long service payment. As at 31 March 2013, 31 March 2014 and 31 March 2015, our other payables amounted to approximately HK\$0.2 million, HK\$0.7 million and HK\$0.8 million, respectively. The other payables increased from approximately HK\$0.2 million as at 31 March 2013 to approximately HK\$0.8 million as at 31 March 2015; it then decreased to approximately HK\$0.5 million, which was mainly attributable to the decrease in the provision of sundry creditors.

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Amounts due from/to related parties

The following table sets forth our amounts due from/to related companies and a shareholder as at the indicated dates:

Amounts due from related companies and a shareholder

	As at 31 March			As at
	2013	2014	2015	31 August
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2015</i> <i>HK\$'000</i>
Related companies				
CHIM K SOCIEDADE UNIPessoal LDA.	6,634	7,686	4,052	—
Chim Kee Crane Company Limited	5	5	5	—
Chim Kee Group Limited	5	5	—	—
L B Machinery Co Ltd ^(Note)	3,447	3,535	—	—
Link Bright Consultants Limited	6,276	9,862	3	7
Minji Machinery Limited ^(Note)	1,268	—	—	—
Profit Principle Limited	2,940	2,940	—	—
Robinson — Chim Kee Joint Venture Limited	<u>6,534</u>	<u>6,429</u>	<u>6,442</u>	<u>—</u>
	<u>27,109</u>	<u>30,462</u>	<u>10,502</u>	<u>7</u>
Shareholder				
Mr. Tang Kan	<u>1,200</u>	<u>16,200</u>	<u>57,980</u>	<u>—</u>
	<u><u>28,309</u></u>	<u><u>46,662</u></u>	<u><u>68,482</u></u>	<u><u>7</u></u>

Note: No longer a related party since 3 October 2014.

The amounts due from related parties are unsecured and with no fixed repayment terms. The balances with CHIM K SOCIEDADE UNIPessoal LDA., L B Machinery Co Ltd, Link Bright Consultants Limited and Robinson — Chim Kee Joint Venture Limited as at 31 March 2013 were interest-bearing at 3% per annum.

The balance with Minji Machinery Limited as at 31 March 2013 was interest-bearing at 8% per annum.

All other balances were interest-free as at 31 March 2013, 31 March 2014, 31 March 2015 and 31 August 2015.

All the amounts due from related companies were trade in nature, except for cash advances to related companies of approximately HK\$9.4 million, HK\$9.4 million, HK\$6.4 million and nil as at 31 March 2013, 31 March 2014, 31 March 2015 and 31 August 2015 which were not trade in nature.

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Amounts due to related companies

	As at 31 March			As at
	2013	2014	2015	31 August
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2015 <i>HK\$'000</i>
King Era Industrial Limited	347	386	— <i>(Note)</i>	—
Minji Machinery Limited	—	275	— <i>(Note)</i>	—
Chim Kee Group Limited	—	—	3,953	—
Profit Principle Limited	—	—	12	—
	<u>347</u>	<u>661</u>	<u>3,965</u>	<u>—</u>

Note: No longer a related party since 3 October 2014.

As at 31 March 2013 and 2014, all the amounts due to related companies were trade in nature. As at 31 March 2015, the amounts due to related companies were mainly relating to Listing expenses of our Group.

Amount due from a director

The balance with a director is unsecured, interest-free and repayable on demand.

	As at 31 March			As at
	2013	2014	2015	31 August
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2015 <i>HK\$'000</i>
Mr. James Tang	<u>3,745</u>	<u>12,721</u>	<u>1,125</u>	<u>402</u>

Our Directors confirm that all non-trade balances with the related companies, shareholder and director will be settled upon Listing.

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INDEBTEDNESS

The following table sets forth the amounts of indebtedness as at 31 March 2013, 31 March 2014, 31 March 2015, 31 August 2015 and 30 September 2015, being the latest practicable date for determining our Group's indebtedness:

	As at 31 March			As at 31 August	As at 30 September
	2013	2014	2015	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (unaudited)
Current liabilities					
Amounts due to related companies	347	661	3,965	—	—
Bank overdrafts	19,531	—	—	—	—
Borrowings	34,160	67,041	81,884	67,520	68,625
Finance lease payables	<u>90,531</u>	<u>66,076</u>	<u>42,989</u>	<u>40,349</u>	<u>37,748</u>
Non-current liabilities					
Finance lease payables	<u>23,444</u>	<u>22,284</u>	<u>31,554</u>	<u>21,405</u>	<u>19,899</u>
	<u><u>168,013</u></u>	<u><u>156,062</u></u>	<u><u>160,392</u></u>	<u><u>129,274</u></u>	<u><u>126,272</u></u>

Borrowings and bank overdrafts

We obtained short term financing from the banks in the form of bank overdrafts and bank loans during the Track Record Period. Our bank overdrafts are revolving borrowing drawn down against bank facility provide by the banks repayable within one year and our bank loans are drawn down against bank facility provide by the banks with fixed repayment schedule.

The following table sets forth repayment schedule of our bank borrowings as at the end of year/ period indicated:

	As at 31 March			As at 31 August	As at 30 September
	2013	2014	2015	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (unaudited)
Repayable on demand or within one year	7,738	32,983	39,226	30,627	32,900
Repayable after one year which contain a repayable on demand clause	<u>26,422</u>	<u>34,058</u>	<u>42,658</u>	<u>36,893</u>	<u>35,725</u>
Total borrowings	<u><u>34,160</u></u>	<u><u>67,041</u></u>	<u><u>81,884</u></u>	<u><u>67,520</u></u>	<u><u>68,625</u></u>

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Bank overdrafts that were repayable within one year amounted to approximately HK\$19.5 million, nil, nil, nil and nil as at 31 March 2013, 31 March 2014, 31 March 2015, 31 August 2015 and 30 September 2015, respectively.

Our bank borrowings increased from approximately HK\$34.2 million as at 31 March 2013 to approximately HK\$67.0 million as at 31 March 2014 which was mainly due to the increase of proceeds from new borrowing. Our bank borrowings increased from approximately HK\$67.0 million as at 31 March 2014 to approximately HK\$81.9 million as at 31 March 2015 and further decrease to approximately HK\$67.5 million as at 31 August 2015 which was mainly due to the increase of the repayment of bank borrowings.

Our bank borrowings were denominated in HK\$ and JPY. The effective interest rate of bank borrowings are ranging from approximately 3.0% to 5.0%, 3.0% to 6.8%, 3.0% to 5.0%, 3.0% to 5.0% and 3.0% to 5.0% per annum as at 31 March 2013, 31 March 2014, 31 March 2015, 31 August 2015 and 30 September 2015, respectively.

As at 31 March 2013, 31 March 2014, 31 March 2015, 31 August 2015 and 30 September 2015, all our bank borrowings were secured bank borrowings.

As at 31 March 2013, 31 March 2014, 31 March 2015, 31 August 2015 and 30 September 2015, our bank loans, finance lease payables, bank overdrafts and other banking facilities were secured by (i) pledge of leasehold land and building, investment property and bank deposits held by us; (ii) pledge of bank deposits amounting to HK\$2.0 million and HK\$5.1 million held by director, Mr. James Tang and his father, Mr. Tang Kan as at 31 March 2013, 2014 and 2015, 31 August 2015 and 30 September 2015, respectively; (iii) pledge of leasehold land and buildings held by Mr. Tang Kan; (iv) personal guarantees executed by Mr. James Tang, Mr. Tang Kan, Mr. Tang Yiu Chung Andrew and Mr. Tang Yiu Wai Stephen; and (v) guarantees to the extent of approximately HK\$17.2 million, HK\$10.8 million, HK\$6.0 million, HK\$6.0 million and HK\$6.0 million as at 31 March 2013, 2014 and 2015, 31 August 2015 and 30 September 2015, respectively, under The SME Loan Guarantee Scheme, The SME Financing Guarantee Scheme and The Special Loan Guarantee Scheme operated by Government of the Hong Kong Special Administrative Region. The guarantees (ii) to (iv) above will be released upon Listing. Our Directors confirmed that there had been no enforcement of or liabilities arising from any of the foregoing guarantees during the Track Record Period and up to the Latest Practicable Date.

Set out below is a breakdown of utilised and unutilised bank borrowing facilities of our Group:

	As at 31 March			As at 31 August 2015	As at 30 September 2015
	2013	2014	2015	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total bank borrowing facilities granted to our Group	133,460	171,216	192,492	192,492	192,492
Less: Amount of bank borrowing facilities utilised	<u>76,775</u>	<u>97,115</u>	<u>124,319</u>	<u>121,200</u>	<u>124,401</u>
Total unutilised bank borrowing facilities	<u>56,685</u>	<u>74,101</u>	<u>68,173</u>	<u>71,292</u>	<u>68,091</u>

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Our Directors confirmed that there were no material covenants or any breach in financial covenants relating to our Group's outstanding bank borrowings and no material defaults by our Group in payment of its bank borrowings during the Track Record Period. During the Track Record Period, we have not experienced difficulties in obtaining bank borrowings. As at the Latest Practicable Date, our Directors confirmed that we had no material external financing plan.

Finance lease payables

We leased a number of motor vehicles and machinery under finance lease during the Track Record Period. The following table sets forth outstanding finance lease payables as at the end of year/period indicated:

	As at 31 March			As at 31 August	As at 30 September
	2013	2014	2015	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Present value of minimum lease payments:					(unaudited)
Not later than one year	90,531	66,076	42,989	40,349	37,748
Later than one year and not later than five years	<u>23,444</u>	<u>22,284</u>	<u>31,554</u>	<u>21,405</u>	<u>19,899</u>
	<u>113,975</u>	<u>88,360</u>	<u>74,543</u>	<u>61,754</u>	<u>57,647</u>

The amount of finance leases was HK\$114.0 million, HK\$88.4 million, HK\$74.5 million, HK\$61.8 million and HK\$57.6 million as at 31 March 2013, 31 March 2014, 31 March 2015, 31 August 2015 and 30 September 2015, respectively. Such decrease was primarily due to early repayment of existing finance lease.

Our average finance lease term ranges from 2 to 5 years. At the end of the lease term, we have the option to purchase the leased equipment at a price that is expected to be sufficiently lower than the fair value of the leased asset at the end of the lease for it to be reasonably certain, at the inception of the lease, that the option will be exercised. None of the leases include contingent rentals. Finance lease payables bore interest at fixed or variable interest rates. The effective interest rates on our Group's finance lease payables were ranging from approximately 3.0% to 9.7%, 2.3% to 9.6%, 3.3% to 9.8%, 2.2% to 9.1% and 2.2% to 9.1% per annum as at 31 March 2013, 31 March 2014, 31 March 2015, 31 August 2015 and 30 September 2015, respectively.

Corporate guarantees

As at 31 March 2013, 31 March 2014, 31 March 2015, 31 August 2015 and 30 September 2015, we provided corporate guarantees amounting to approximately nil, nil, HK\$6.1 million, HK\$5.3 million and HK\$5.0 million, respectively, to a bank in respect of finance lease obligations of certain third party customers.

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Disclaimer

Save as aforesaid or as otherwise disclosed herein, we did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances, or acceptable credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities at the close of business on 30 September 2015, being the latest practicable date for determining our Group's indebtedness.

Our Directors have confirmed that there has not been any material adverse change in our Group's indebtedness and contingent liabilities since 30 September 2015, being the latest practicable date for determining our Group's indebtedness.

OFF-BALANCE SHEET ARRANGEMENTS

As at Latest Practicable Date, our Directors confirm that we had not entered any off-balance sheet arrangements.

WORKING CAPITAL

Our Directors confirm that there had not been any material defaults in payment of trade and non-trade payables and bank borrowings or any material covenants relating to our Group's outstanding borrowing during the Track Record Period.

Our Directors confirm that we have sufficient working capital for our requirements for at least the next 12 months from the date of this prospectus, taking into account the estimated net proceeds from the Share Offer, available banking facilities, and cash flows from our operations. The Sole Sponsor concurs with our Directors' views in this regard.

OTHER KEY FINANCIAL RATIOS

	As at/For the			
	five months			
	As at/For the year ended 31 March			31 August
	2013	2014	2015	2015
<i>Key financial ratios</i>				
Current ratio ^(Note 1)	0.9 times	1.1 times	1.3 times	1.0 times
Gearing ratio ^(Note 2)	95.9%	72.6%	67.3%	71.8%
Debt to equity ratio ^(Note 3)	90.6%	59.3%	45.0%	44.2%
Interest coverage ^(Note 4)	6.0 times	7.0 times	5.6 times	2.7 times
Return on total assets ^(Note 5)	8.3%	9.2%	5.2%	1.0%
Return on equity ^(Note 6)	18.9%	18.3%	10.2%	2.0%
Net profit margin ^(Note 7)	13.6%	12.4%	6.6%	2.6%

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Notes:

1. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective year/period end.
2. Gearing ratio is calculated based on the total debt (included finance lease payables) divided by the total equity as at the respective year/period end and multiplied by 100%.
3. Debt to equity ratio is calculated by the net debt (all borrowings (included finance lease payables) net of cash and cash equivalents) divided by the total equity as at the respective year/period end and multiplied by 100%.
4. Interest coverage ratio is calculated by profit before interest and tax divided by interest expense for the respective year/period end.
5. Return on total assets is calculated by net profit for the year/period divided by the total assets and multiplied by 100%.
6. Return on equity is calculated by net profit for the year divided by the total equity as at the respective year/period end and multiplied by 100%.
7. Net profit margin is calculated by net profit for the year divided by the revenue for the respective year/period and multiplied by 100%.

Current ratio

Our Group's current ratio remained stable during the Track Record Period, which was approximately 0.9 times, 1.1 times, 1.3 times and 1.0 times as at 31 March 2013, 31 March 2014, 31 March 2015 and 31 August 2015, respectively.

Gearing ratio

Our Group's gearing ratio was approximately 95.9%, 72.6%, 67.3% and 71.8% as at 31 March 2013, 31 March 2014, 31 March 2015 and 31 August 2015, respectively. Our Group's gearing ratio decreased from approximately 95.9% as at 31 March 2013 which primarily reflected the decrease in bank borrowings. The decrease in gearing ratio from approximately 72.6% as at 31 March 2014 to approximately 67.3% as at 31 March 2015 and approximately 71.8% as at 31 August 2015 primarily reflected the increase in total asset due to an increase in cash and cash equivalents and amount due from a shareholder.

Debt to equity ratio

Our Group's debt to equity ratio was approximately 90.6%, 59.3%, 45.0% and 44.2% as at 31 March 2013, 31 March 2014, 31 March 2015 and 31 August 2015, respectively. The decrease from approximately 90.6% as at 31 March 2013 to approximately 59.3% as at 31 March 2014 primarily reflected the increase in cash and cash equivalents. The decrease in debt to equity ratio from approximately 59.3% as at 31 March 2014 to approximately 45.0% as at 31 March 2015 and approximately 44.2% as at 31 August 2015 primarily reflected the increase in cash and cash equivalents.

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Interest coverage

Our Group's interest coverage was approximately 6.0 times, 7.0 times, 5.6 times and 2.7 times as at 31 March 2013, 31 March 2014, 31 March 2015 and 31 August 2015, respectively. The increase from approximately 6.0 times as at 31 March 2013 to approximately 7.0 times as at 31 March 2014 primarily reflected the increase in profits for the year while the interest charge remained stable. The increase in interest coverage from approximately 7.0 times as at 31 March 2014 to approximately 5.6 times as at 31 March 2015 and approximately 2.7 times as at 31 August 2015 primarily reflected the decrease in profit after tax.

Return on total assets

Our Group's return on total assets was approximately 8.3%, 9.2%, 5.2% and 1.0% as at 31 March 2013, 31 March 2014, 31 March 2015 and 31 August 2015, respectively. The increase from approximately 8.3% as at 31 March 2013 to approximately 9.2% as at 31 March 2014 primarily reflected the increase in profit in FY2014. The decrease in return on total assets from approximately 9.2% as at 31 March 2014 to approximately 5.2% as at 31 March 2015 and approximately 1.0% as at 31 August 2015 primarily reflected the increase in current assets, particularly cash and cash equivalent, while profit decreased.

Return on equity

Our Group's return on equity was approximately 18.9%, 18.3%, 10.2% and 2.0% as at 31 March 2013, 31 March 2014, 31 March 2015 and 31 August 2015, respectively. Our Group's return on equity as at 31 March 2013 and 2014 remained stable. The decrease in return on equity from approximately 18.3% as at 31 March 2014 to approximately 10.2% as at 31 March 2015 and approximately 2.0% as at 31 August 2015 primarily reflected the increase in current assets, particularly cash and cash equivalents, while profit decreased.

Net profit margin

Our Group's net profit margin was approximately 13.6%, 12.4%, 6.6% and 2.6% as at 31 March 2013, 31 March 2014, 31 March 2015 and 31 August 2015, respectively. The net profit margin remained stable for the year ended 31 March 2013 and 31 March 2014. The decrease in net profit margin from approximately 12.4% as at 31 March 2014 to approximately 6.6% as at 31 March 2015 and approximately 2.6% as at 31 August 2015 primarily reflected the decrease in gross profit margin in rental of construction machinery and the increase in non-recurring and non-tax deductible expenses incurred in relation to the Listing.

DIVIDENDS

During the Track Record Period, we have declared a dividend of HK\$62.0 million on 30 June 2015.

The dividends were declared to reward the Shareholders' investments in our Group. Our Directors consider the level of distribution appropriate and in the best interests of our Group as a portion of the net profits from ordinary activities attributable to the Shareholders have also been retained to support

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our Group's expansion. Our Directors are of the view that it is beneficial to utilise a combination of retained profits and borrowings to finance our Group's working capital needs rather than solely rely on retained profits for the following reasons:

1. it maximises the return on equity;
2. it maintains the commercial relationship with banks; and
3. it rewards the Shareholders for their investments in our Company and the Shareholders may be inclined to invest further in our Company.

Our Board has not adopted any dividend policy for the time being and does not have any pre-determined dividend ratio. Our Board has absolute discretion as to whether to declare any dividend for any year end and if any, the amount of dividend and the means of payment. Such discretion is subject to any applicable laws and regulations including the Companies Law, and our Articles which requires also the approval of our Shareholders. The amount of any dividends to be declared and paid in the future will depend on, among other things, our dividend policy that may be adopted, results of operations, cash flows and financial condition, operating and capital requirements and other relevant factors. There will be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of our Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Board in the future.

DISTRIBUTABLE RESERVES

As our Company was incorporated on 24 September 2014, we had no distributable reserves available for distribution to our Shareholders as at 31 August 2015.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in Note 32 of the Accountant's Report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on arm's length basis, on normal commercial terms and in the ordinary course of business. Our Directors consider that these related party transactions would not distort our results during the Track Record Period, and would not make our historical results not reflective of our future performance.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Our Group's major financial instruments include trade and other receivables, bank balances and cash, trade and other payables, obligations under financial leases and bank loans. The risks associated with these financial instruments include interest rate risk, credit risk, liquidity risk and foreign exchange risk. The policies on how to mitigate these risks are set out below. Our Directors manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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Interest rate risk

Our Group's exposure to risk relating to changes in interest rates is mainly due to the interest-bearing loans and borrowings as part of the financial resources for our Group's business operations. Our Group currently does not have an interest rate hedging policy. Higher interest rates will increase the borrowing costs of our Group and may adversely affect the profitability of our Group's operations. However, our Directors monitor interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

Credit risk

At the end of each reporting period, our Group's maximum exposure to credit risk which will cause a financial loss to our Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position.

In order to minimise the credit risk, our Directors closely monitor the overall level of credit exposure and the management is responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, our Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our Directors consider that our Group's credit risk is significantly reduced.

Our Group has no significant concentration of credit risk on trade receivables, with exposure spread over a number of clients.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation or high credit ratings assigned by international credit-rating agencies.

Liquidity risk

Our Directors have established an appropriate liquidity risk management framework to meet our Group's short, medium and long-term funding and liquidity management requirements. Our Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance our Group's operations and mitigate the effects of fluctuations in cash flows.

Foreign exchange risk

In light of the nature of our Group's business, we are exposed to various foreign currencies including JPY, EUR and US\$. Nevertheless, our operations are predominately subject to the fluctuations of EUR and JPY since HK\$ is pegged to each of US\$. Set out in Note 35 (d) to the financial information in the Accountant's Report is our Group's policy on the foreign exchange risk. Our Directors expect that HK\$, JPY, EUR and US\$ will continue to be mostly used in our business in the foreseeable future.

Our Directors believe that we will have sufficient foreign exchange, primarily from the conversion of HK\$ generated from our operations, to meet our foreign exchange liabilities as they become due.

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Hedging

During the Track Record Period, our Group had entered into a foreign exchange forward contract on 18 September 2014 to buy JPY100 million for HKD7.2 million on 18 November 2014 (the “**Forward Contract**”). Our Group entered into the Forward Contract to hedge against the fluctuation of JPY against HK\$. The Forward Contract was a one-off transaction during the Track Record Period to cover purchase of two construction machines in JPY from our supplier. Our Group has not adopted any hedging strategy in the long run, however we will review our Group’s foreign exchange risk exposure and might enter into foreign exchange forward contract on a case-by-case basis. Our Group has not used and will not use any hedging contracts to engage in speculative activities.

For details of our Group’s risk management policy and procedures, please refer to section headed “Business — Risk management” in this prospectus.

LISTING EXPENSES

Assuming the Adjustment Options are not exercised and assuming the Offer Price of HK\$0.40 per Offer Share, being the mid-point of the indicative Offer Price range, the total amount of Listing expenses and commissions in connection with the Share Offer is estimated to be approximately HK\$29.4 million of which approximately HK\$19.6 million will be borne by our Company and approximately HK\$9.8 million will be borne by the Selling Shareholder.

The portion of Listing expenses borne by the Selling Shareholder in connection with the Sale Shares of approximately HK\$3.7 million will be set-off against the Listing expenses of our Company. The portion of Listing expenses of approximately HK\$6.1 million reimbursed by the Selling Shareholder in its capacity of a Shareholder will be accounted for as capital contribution to our Company.

Of the aggregate Listing expenses of HK\$29.4 million, approximately HK\$7.4 million directly attributable to the issue of Offer Shares will be accounted for as a deduction from equity upon Listing. Of the remaining HK\$22.0 million, approximately HK\$3.7 million will be borne by the Selling Shareholder as stated above and approximately HK\$18.3 million will be charged to our profit or loss. Listing expenses of approximately HK\$8.4 million were charged to the profit or loss for the year ended 31 March 2015 and approximately HK\$1.2 million were charged to the profit or loss for the five months ended 31 August 2015 and the remaining amount of approximately HK\$8.7 million will be charged to the profit or loss for the year ending 31 March 2016. Expenses in relation to the Listing are non-recurring in nature.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Please see the section headed “Unaudited pro forma financial information” in Appendix II to this prospectus for details.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, there were no circumstances which, had our Group 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.

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RECENT DEVELOPMENT

Deteriorated financial performance for the five months ended 31 August 2015

Our total revenue decreased by approximately HK\$22.6 million, or 13.9%, from approximately HK\$162.7 million for the five months ended 31 August 2014 to approximately HK\$140.1 million for the five months ended 31 August 2015. Such decrease was mainly attributable to the decrease in revenue generated from rental of construction machinery. Our revenue from construction machinery rental services decreased by approximately HK\$40.2 million, or 45.7%, from approximately HK\$88.0 million for the five months ended 31 August 2014 to approximately HK\$47.8 million for the five months ended 31 August 2015. Such decrease was mainly due to (i) the decrease in number of crawler cranes rented attributable to the delay in commencement of several Delayed Projects; and (ii) the completion of two substantial private projects in FY2015 which accounted for approximately 44.9% of revenue from private projects for the five months ended 31 August 2014.

For details of the Delayed Projects, please refer to the section headed “Business — Overview” in this prospectus.

Our gross profit decreased by approximately HK\$21.2 million, or 57.3%, from approximately HK\$37.0 million for the five months ended 31 August 2014 to approximately HK\$15.8 million for the five months ended 31 August 2015. In addition, our gross profit margin was approximately 11.3% for the five months ended 31 August 2015 which decreased from approximately 22.7% for the five months ended 31 August 2014. The gross profit and gross profit margin had decreased because of the significant decrease of the gross profit margin of construction machinery rental services.

Our gross profit of construction machinery rental services decreased by approximately HK\$21.8 million from approximately HK\$23.6 million for the five months ended 31 August 2014 to approximately HK\$1.8 million for the five months ended 31 August 2015. In addition, our gross profit margin of construction machinery rental services decreased from approximately 26.8% for the five months ended 31 August 2014 to approximately 3.7% for the five months ended 31 August 2015. The decrease in gross profit margin of construction machinery rental services was mainly attributable to the high level of fixed cost to be maintained given the lower revenue or utilised rates were recorded for the five months ended 31 August 2015.

Our gross profit for trading of construction machinery and parts segment increased by approximately HK\$0.3 million from approximately HK\$13.5 million for the five months ended 31 August 2014 to approximately HK\$13.8 million for the five months ended 31 August 2015. In addition, our gross profit margin for trading of construction machinery and parts decreased from approximately 18.4% for the five months ended 31 August 2014 to approximately 15.2% for the five months ended 31 August 2015. The decrease in gross profit margin for trading of construction machinery and parts was mainly attributable to the increase in trade of new machineries, which usually has a lower profit margin than the used machineries for the five months ended 31 August 2015.

For the transportation service segment, our gross loss of approximately HK\$0.2 million for the five months ended 31 August 2014 turned into a gross profit of approximately HK\$0.1 million for the five months ended 31 August 2015. In addition, our gross profit margin of the transportation service segment increased from approximately 12.4% for the five months ended 31 August 2014 to approximately 13.8%

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for the five months ended 31 August 2015. The increase in gross profit margin of transportation services segment was mainly attributable to decrease in repair and maintenance expenses on certain transportation fleet for the five months ended 31 August 2015.

Without taking into consideration the financial impact of the Listing expenses, our Group's adjusted net profit for the five months ended 31 August 2015 was approximately HK\$4.9 million.

For details, please refer to the paragraph headed "Period-to-period comparison of results of operation — Five months ended 31 August 2015 compared to five months ended 31 August 2014" in this section.

For the five months ended 31 August 2015, we recorded a significant decrease in the gross profit margin and net profit margin. The gross profit margin dropped from approximately 22.7% for the five months ended 31 August 2014 to approximately 11.3% for the five months ended 31 August 2015. The gross profit margin dropped from approximately 16.9% for the year ended 31 March 2015 to approximately 11.3% for the five months ended 31 August 2015 which was mainly due to the significant decrease in the revenue which lowered the gross profit margin from construction machinery rental segment, from approximately 18.5% for the year ended 31 March 2015 to approximately 3.7% for the five months ended 31 August 2015. The revenue generated from our trading business during FY2013, FY2014 and FY2015 has recorded steady growth. The revenue generated from our rental business in the respective periods has however drove down the overall gross profit margin given that the gross profit margin of our trading business is normally lower than that of our rental business. Subsequently, the overall gross profit margin for the five months ended 31 August 2015 has been further driven down due to the significant decrease in the gross profit of our rental business for the respective period. The decrease in gross profit margin has also led to a decrease in net profit margin.

Our Directors are of the view that the deteriorated financial performance for the five months ended 31 August 2015 as compared to the same period in 2014 was mainly due to (i) the main contractors have further delayed and revised their commencement dates of certain Delayed Projects; (ii) the general market fluctuation in the construction industry; and (iii) higher fixed cost to be maintained given the lower utilisation rate. Given the short lead time between our engagement with our customers and the potential termination of contracts by our customers, the expected commencement dates of the construction projects are mainly determined by the indication and estimation of the main contractors, and it is not uncommon to see delay of projects in the construction industry. Our Directors also consider that the general market fluctuations affecting the construction industry include but are not limited to the adverse weather conditions, fluctuation on macro factors such as exchange rate risk, interest rate, inflation rate, labor strike, accidents on site, unknown site condition, changes of building or structure design and change of government policy. Those factors would affect the progress of projects which might negatively affect our Group and lead to decrease in revenue and utilisation rate, while our Group has to maintain certain fixed costs such as depreciation expenses, our Group's financial performance is therefore negatively impacted.

Our Directors consider that the deteriorated financial performance for the five months ended 31 August 2015 as compared to that of 2014 will affect our profitability for the year ending 31 March 2016. Without taking into consideration the financial impact of the Listing expenses, our Group's net profit for the year ending 31 March 2016 will decline as compared to that of the prior financial year.

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Subsequent to the Track Record Period and up to the Latest Practicable Date

Our business model, revenue and cost structure remain unchanged subsequent to the Track Record Period.

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have received 31 confirmed orders but not yet delivered the construction machineries under our trading business with a total contract sum of approximately HK\$61.0 million. Those construction machineries are expected to be delivered and the relevant revenue will be recognised for the year ending 31 March 2016. For our construction machineries rental services, as at the Latest Practicable Date, the total number of construction machinery in our rental fleet was 195, among which, 60 of them were rented out with the rent-out rate of approximately 30.8%. The total monthly rental income of the said rented out machineries was approximately HK\$6.9 million.

The following is a summary of our Group's unaudited financial information for the six months ended 30 September 2015, prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting", which was reviewed by our reporting accountant in accordance with the Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". Based on the unaudited financial information of our Group for the six months ended 30 September 2015, our revenue for the six months ended 30 September 2015 amounted to approximately HK\$174.9 million, representing a slight decrease of approximately 3.4% compared to approximately HK\$181.0 million for the six months ended 30 September 2014. Our unaudited gross profit was approximately HK\$22.3 million for the six months ended 30 September 2015, representing (i) a decrease of approximately 42.2% compared to approximately HK\$38.6 million for the six months ended 30 September 2014; and (ii) an increase of approximately 41.1% as compared with the gross profit of approximately HK\$15.8 million for the five months ended 31 August 2015. The unaudited gross profit margin decreased from approximately 21.3% for the six months ended 30 September 2014 to approximately 12.7% for the six months ended 30 September 2015. The unaudited gross profit margin for the six months ended 30 September 2015 was approximately 12.7%, which was slightly higher than approximately 11.3% for the five months ended 31 August 2015.

Most of the Delayed Projects were major infrastructure public or public related projects of our Group that cover major infrastructure and public facilities in Hong Kong and it is very unlikely that those projects would be terminated or delayed infinitely. Our Directors are of the view that the impact of the Delayed Projects and the completion of these substantial private projects shall be positively mitigated based on the following factors:

- (i) the government has taken active and positive approach in seeking funding approval of these projects and actual fundings were received for public works projects in the 2014–15 legislative session;
- (ii) despite the delay in commencement of these projects, such delay shall be temporary and considering that these infrastructure and public facilities are important to the overall development in Hong Kong, they would be resumed and would not be terminated or delayed infinitely and therefore the impact of such delay shall also be temporary;

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- (iii) considering the recent measure “tendering before funding approval” as adopted by the government, the construction contractors in relation to the Delayed Projects have obtained respective funding approval accordingly as at the Latest Practicable Date and the Delayed Projects shall be resumed in the near future without any major interferences;
- (iv) up to the Latest Practicable Date, our Group has not received any indication from the construction contractors that the Delayed Projects will be aborted, our Directors conclude that our Group will be able to capture the rental income to be generated by the Delayed Projects once those projects commence and therefore it would not cause material adverse impact to our Group’s business operations and financial performance for the long term; and
- (v) according to the IPSOS Report, (a) despite that the delay in funding approval of the government has led to temporary decline in the overall demand for construction machinery rental and trading services in Hong Kong, the competitiveness of our Group remains strong, due to our well-established reputation and solid financial results in FY2013, FY2014 and FY2015; (b) given our unrivalled competitive advantages in the area, it is expected our Group will remain as a preferred service provider once the construction projects receive the funding to start in the future; and (c) the delay of funding approval of the government led to only delay, but not decline nor removal, of demand for construction machinery rental and trading services in Hong Kong in the long term. In addition, in order to strengthen our position as a major rental provider of construction machinery in Hong Kong and to further expand our presence in other potential markets, our Group intends to (a) strengthen our position as a market leader through the expansion and diversification of our construction machinery fleet; (b) strengthen the cooperation with construction machinery manufacturers and other suppliers to meet the needs of the dynamic market environment; (c) increase our operational efficiency and enhance our quality of service; (d) recruit and expand our team of skilled and technical personnel and strengthen staff training; and (e) expand our sales and marketing team.

For details, please refer to the section headed “Business — Business strategies and future plans” in this prospectus.

As extracted from the IPSOS Report, according to the opening statement of the Chief Executive, Mr. Leung Chun-ying, on 9 July 2015 attending the Chief Executive’s Question and Answer Session in the Legislative Council, the projects applied for funding in the previous legislative session delayed for more than six months on average and it is envisaged that these projects will be commenced in the fourth quarter of 2015 or first quarter of 2016. From the information presented by the Development Bureau, a total of 23 construction projects which failed to obtain funding approval in the 2013–14 legislative session have managed to secure the approval in the 2014–15 legislative session, which include study works relating to the Hong Kong boundary crossing facilities of the Hong Kong-Zhuhai-Macao Bridge as well as a number of schools, hospitals and other civil engineering projects. Moreover, according to the 2015 Policy Agenda of the Development Bureau, the spending on the capital works programme including public works projects in 2014–15 is maintained at the level of approximately HK\$70 billion which is similar to the actual expenditure of HK\$70 billion in 2013–14. Of the approximately HK\$370 billion approved by the Finance Committee of the Legislative Council over the last five years, about 70% is devoted to the Ten Major Infrastructure Projects and the remaining 30% to other projects of varying scales. The Development Bureau expects that based on the planned infrastructure programme,

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the annual capital works expenditure in the next few years will be at the HK\$70 billion level. To mitigate the impact of delay in funding approval, various practicable measures including “tendering before funding approval” after conducting comprehensive risk assessment for expediting the commencement of works have also been considered by the Development Bureau. Our Directors consider that, given the active and positive approach taken by the government and the actual fundings approved for public works projects in the 2014–15 legislative session, more rental income will be recognised during the remaining period of the year ending 31 March 2016 and the year ending 31 March 2017.

Subsequent to the Track Record Period and up to the Latest Practicable Date, save for expenses incurred in relation to the Listing as disclosed in the paragraph headed “Listing expenses” in this section, we did not have any significant non-recurrent items in our consolidated statement of comprehensive income.

Our Group is expected to record a decrease in profit for the year ending 31 March 2016, which is mainly due to (i) the non-recurring and non-tax deductible expense in relation to the Listing to be incurred; (ii) the expected increase in administrative expenses (including remuneration of our Directors, additional staff in administration, accounting and finance department and professional fees) of our Group; (iii) the expected decrease in other income and gain due to decrease in the expected number of vehicles to be retired under the government allowance scheme and the absent of expected gain from disposal of investment property; and (iv) the revision of commencement dates of the Delayed Projects. For details, please refer to the section headed “Risk factors — Our financial performance and results of operations for the year ending 31 March 2016 will be significantly and adversely affected by our Listing expenses, which are non-recurring in nature, and the expected increase in administrative expenses of our Group” in this prospectus and the paragraph headed “Listing expenses” in this section.

NO MATERIAL ADVERSE CHANGE

Our Directors, upon review of the audited financial information of our Group up to the five months ended 31 August 2015 in terms of revenue, gross profit and gross profit margin and based upon our Directors’ observation noted in the market, save for (i) the impact of the delayed in funding approval from Hong Kong government resulted the delayed in public projects; (ii) the significant decline in the financial performance of our Group for the five months 31 August 2015 as disclosed in the paragraph headed “Recent development — Deteriorated financial performance for the five months ended 31 August 2015” in this section; and (iii) the impact of the Listing expenses as disclosed in the paragraph headed “Listing expenses” in this section, our Directors have confirmed that there has been no material adverse change in our financial or trading position or prospects subsequent to the Track Record Period and there has been no event subsequent to the Track Record Period which would materially affect the information shown in our consolidated financial statements included in the Accountant’s Report as set forth in Appendix I to this prospectus.

UNDERWRITING

THE PUBLIC OFFER UNDERWRITERS

Sole Global Coordinator

RHB Securities Hong Kong Limited

Joint Bookrunners

RHB Securities Hong Kong Limited
China Industrial Securities International Capital Limited

Joint Lead Managers

China Investment Securities International Brokerage Limited
Convoy Investment Services Limited

Co-Managers

Cinda International Securities Limited
Gransing Securities Co., Limited
Guangdong Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to offer the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally and not jointly agreed to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares now being offered which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

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Grounds for termination

The obligations of the Public Offer Underwriters to subscribe or procure subscribers for the Public Offer Shares are subject to termination if certain events, including force majeure, shall occur at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date. The Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) has the right, in its sole and absolute discretion, to terminate the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement by giving notice in writing to our Company, if it sees fit upon the occurrence of any of the following events:

- (a) there has come to the notice of the Sole Global Coordinator:
 - (i) any breach of any of the warranties, obligations or undertakings imposed upon any party (other than the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners or any of the Underwriters) to any of the Underwriting Agreements; or
 - (ii) any statement contained in this prospectus, the Application Forms, any supplemental offering materials, announcement, the formal notice to be published in connection with the Public Offer, the roadshow materials and any other documents published or issued by or on behalf of our Company, or the Underwriters for the purposes of or in connection with the Share Offer (the “**Offer Documents**”) considered by the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) in its sole and absolute opinion to be material in the context of the Share Offer, was or has become or been discovered to be untrue, incorrect or misleading in any respect, or that any forecast, expression of opinion, intention or expectation expressed in any Offer Documents is not, in the sole and absolute opinion of the Sole Global Coordinator, fair and honest and based on reasonable assumptions, when taken as a whole; or
 - (iii) any person (other than the Public Offer Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents or to the issue of any of the Offer Documents; or
 - (iv) our Company withdraws any of the Offer Documents (or any document, other documents used in connection with the contemplated subscription and sale of Offer Shares) or the Share Offer; or
 - (v) any event, act or omission which gives or is likely to give rise to any liability of the warranties under the Public Offer Underwriting Agreement pursuant to the indemnity provisions of the Public Offer Underwriting Agreement; or
 - (vi) any change or development involving a prospective change in the business, assets, liabilities, conditions, business affairs, prospects, profits, losses or the financial or trading position or performance or management of our Group considered by the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) in its sole and absolute opinion to be material in the context of the Share Offer; or

UNDERWRITING

- (vii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom considered by the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) in its sole and absolute opinion to be material in the context of the Share Offer; or
 - (viii) approval by the Listing Committee of the listing of, and permission to deal in, our Shares (including any additional Shares that may be issued upon the exercise of the Adjustment Options) is refused or not granted (other than subject to customary conditions) or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
 - (ix) a petition or an order is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or
- (b) there shall develop, occur, exist or come into effect:
- (i) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change, in local, national, regional, international, financial, political, economic, legal, military, industrial, fiscal, regulatory, currency, or market conditions (including, without limitation, any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the American Stock Exchange, the Nasdaq National Market, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or a material fluctuation in the exchange rate of the Hong Kong dollar or the Renminbi against any foreign currency, or any interruption in monetary or trading or securities settlement or clearance services or procedures or matters) in or affecting Hong Kong or anywhere in the world; or
 - (ii) any new law or regulation or any change or development involving a prospective change in any existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting any of Hong Kong, the PRC, the Philippines, the United States, the Cayman Islands, the BVI, the European Union (or any member thereof) or any other jurisdictions relevant to any member of our Group or the Share Offer (the “**Relevant Jurisdictions**”); or
 - (iii) any event, or series of events, beyond the reasonable control of the Underwriters (including, without limitation, acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without

UNDERWRITING

limitation, Severe Acute Respiratory Syndrome, avian influenza A (H5N1), Swine Flu (H1N1) or such related or mutated forms) or interruption or delay in transportation) in or affecting any of the Relevant Jurisdictions; or

- (iv) (A) any suspension or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the Nasdaq National Market, the Shanghai Stock Exchange or the Shenzhen Stock Exchange or (B) any general moratorium on commercial banking activities in any of the Relevant Jurisdictions or any other relevant jurisdiction, declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services, in the case of either (A) or (B), in or affecting any of the Relevant Jurisdictions; or
- (v) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for the United States or the European Union (or any member thereof) on Hong Kong, the PRC, the Philippines, the Cayman Islands, the BVI, the European Union (or any member thereof) or any of the Relevant Jurisdictions; or
- (vi) a change or development occurs involving a prospective change in taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment laws in any of the Relevant Jurisdictions or affecting an investment in our Shares; or
- (vii) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed “Risk factors” in this prospectus; or
- (viii) the chairman or chief executive officer of our Company vacating his office; or
- (ix) the commencement by any governmental, regulatory or political body or organisation of any action against a Director in his or her capacity as such or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action; or
- (x) a prohibition on our Company for whatever reason from allotting or selling the Offer Shares pursuant to the terms of the Share Offer; or
- (xi) non-compliance with this prospectus (and/or any other documents used in connection with the subscription and purchase of the Offer Shares) or any aspect of the Share Offer with the Listing Rules or any other laws applicable to the Share Offer; or
- (xii) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (xiii) an event where, as a result of market conditions or otherwise, a material portion of the orders in the bookbuilding process at the time the Placing Underwriting Agreement is entered into, has been withdrawn or cancelled and the Sole Global Coordinator, in its absolute discretion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Share Offer; or
- (xiv) save for those litigations and claims as disclosed in this prospectus, any material litigation or claim being threatened or instigated against any member of our Group; or

UNDERWRITING

- (xv) any of our Directors, any senior management members of our Company as set out in the section headed “Directors, senior management and employees” in this prospectus being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company or the commencement by any governmental, political or regulatory body of any action against any of the said Directors and senior management members in his or her capacity as such or an announcement by any governmental, political or regulatory body that it intends to take any such action; or
- (xvi) any contravention by any Controlling Shareholders as warrantor, any member of Our Group or any Director of the Companies (Winding up and Miscellaneous Provisions) Ordinance, the SFO or any of the Listing Rules; or
- (xvii) the issue or requirement to issue by our Company of a supplement or amendment to this prospectus and/or any other documents pursuant to the Companies (Winding up and Miscellaneous Provisions) Ordinance or the Listing Rules,

which in each case or in aggregate in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters):

- (a) is or will or could be expected to have a material adverse effect on the general affairs, management, business, financial, trading or other condition or prospects or risks of our Company or our Group or any member of our Group or on any present or prospective shareholder in his, her or its capacity as such; or
- (b) has or will have or could be expected to have a material adverse effect on the success, marketability or pricing of the Share Offer or the level of applications under the Public Offer or the level of interest under the Placing; or
- (c) makes it or may make it impracticable, inadvisable or inexpedient to proceed with or to market the Public Offer and/or the Share Offer or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus, the Application Forms or the formal notice or shall otherwise result in an interruption to or delay thereof; or
- (d) has or will have the effect of making any part of the Underwriting Agreements incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof.

UNDERWRITING

Undertakings to the Stock Exchange under the Listing Rules

(A) Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that, except pursuant to the Capitalisation Issue, the Share Offer, the Adjustment Options and the Share Option Scheme as described and contained in this prospectus, no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for the circumstances as permitted by Rule 10.08(1) to (5) of the Listing Rules.

(B) Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company respectively that, except pursuant to the Stock Borrowing Agreement, the Share Offer (including the offer for sale of the Sale Shares by the Selling Shareholder) and the Adjustment Options as described and contained in this prospectus, it/he shall not and shall procure that the relevant registered shareholder(s) shall not:

- (a) in the period commencing on the date by reference to which disclosure of its/his shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares in respect of which it/he is shown by this prospectus to be the beneficial owners; or
- (b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has also undertaken to the Stock Exchange and our Company respectively that, within the period commencing on the date by reference to which disclosure of its/his shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it/he will:

- (a) when it/he pledges or charges any Shares beneficially owned by it/him in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform us in writing of such pledge or charge together with the number of Shares so pledged or charged; and
- (b) when it/he receive indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform us of such indications.

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Undertakings pursuant to the Public Offer Underwriting Agreement

(A) Undertakings by our Company

Except for the issue of Shares pursuant to the Share Offer (including pursuant to any of the Adjustment Options), the Capitalisation Issue and options which may be granted under the Share Option Scheme or as otherwise with the prior written consent of the Sole Global Coordinator and unless in compliance with the Listing Rules, at any time after the date of the Public Offer Underwriting Agreement up to and including the date falling six months after the Listing Date (the “**First Six-Month Period**”), we have, pursuant to the Public Offer Underwriting Agreement, undertaken to the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) that:

- (a) our Company will not, and will procure that our subsidiaries will not, offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any options, warrants or other rights to purchase or subscribe for, make any share sale, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase, any of its share capital, debt capital or any securities of our Company or any of our subsidiaries or any interest therein (including but not limited to any warrants and securities convertible into or exercisable or exchangeable for or that represent the right to receive, or any warrants or other rights to purchase, any such share capital or securities or interest therein, as applicable);
- (b) our Company will not, and will procure that our subsidiaries will not, enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the share capital, debt capital or other securities of our Company or any interest therein;
- (c) our Company will not, and will procure that our subsidiaries will not, enter into any transaction with the same economic effect as any transaction described in paragraph (a) or (b) above; or
- (d) our Company will not, and will procure that our subsidiaries will not, agree or contract to, or publicly announce any intention to enter into any transaction described in paragraph (a), (b) or (c) above;

whether any of the foregoing transactions described in paragraph (a), (b) or (c) above is to be settled by delivery of share capital or such other securities, in cash or otherwise; and

- (e) our Company will ensure that if any of the transactions in paragraph (a), (b) or (c) above is entered into or agreed to be entered into during the period of six months immediately following the expiry of the First Six-Month Period (the “**Second Six-Month Period**”), it will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company.

UNDERWRITING

(B) Undertakings by our Controlling Shareholders

Pursuant to the Public Offer Underwriting Agreement, each of our Controlling Shareholders has undertaken jointly and severally to each of the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, our Company and the Public Offer Underwriters that:

- (i) at any time during the First Six-Month Period, he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates and companies controlled by him/it and any nominee or trustee holding in trust for him/it shall not, without the prior written consent of the Sole Global Coordinator and unless pursuant to the Stock Borrowing Agreement and/or the Share Option Scheme or otherwise in compliance with the requirements of the Listing Rules, (a) offer, accept subscription for, sell, pledge, mortgage, charge, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any share sale, lend or otherwise transfer or dispose of, either directly or indirectly, any of the share capital of our Company or any securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or interest therein); or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the share capital, debt capital or other securities of our Company or any interest therein; (c) enter or agree to enter into, conditionally or unconditionally, or effect any of the transaction with the same economic effect as any transaction referred to in (a) or (b) above; or (d) agree, or contract to, or publicly announce any intention to enter into or effect any of the transaction referred to in (a), (b) or (c) above;

whether any of the foregoing transactions described in paragraph (a), (b) or (c) above is to be settled by delivery of share capital or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so; and

- (ii) at any time during the Second Six-Month Period, he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates or companies controlled by him/it and any nominee or trustee holding in trust for him/it shall not, without the prior written consent of the Sole Global Coordinator and unless pursuant to the Stock Borrowing Agreement and/or the Share Option Scheme or otherwise in compliance with the Listing Rules, enter into any of the foregoing transactions in paragraph (i) above or agree or contract to or publicly announce any intention to enter into any such transaction if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a controlling shareholder of our Company or would together with the other Controlling Shareholders cease to be, or regarded as, controlling shareholders of our Company;
- (iii) at any time before the expiry of the Second Six-Month Period, in the event that he/it enters into any transaction referred to in paragraph (i) above or agrees or contracts to or publicly announces an intention to enter into such transactions, he/it shall take all reasonable steps to ensure that such action shall not create a disorderly or false market for any Shares or other securities of our Company; and

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- (iv) he/it shall, and shall procure that its associates and companies controlled by him/it and nominees or trustees holding in trust for him/it shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by him/it or by the registered holder controlled by him/it of any Shares.

Each of our Controlling Shareholders has further undertaken jointly and severally to each of the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, our Company and the Public Offer Underwriters, during the first twelve months from the Listing Date, he/it will:

- (i) when he/it pledges or charges any Shares or other securities or interests in the securities of our Company in respect of which he/it is the beneficial owner, immediately inform our Company, the Sole Sponsor and the Sole Global Coordinator in writing of such pledges or charges together with the number of Shares or other securities of our Company and nature of interest so pledged or charged; and
- (ii) when he/it receives any indication, whether verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company, the Sole Sponsor and the Sole Global Coordinator in writing of such indications.

We will inform the Stock Exchange as soon as we have been informed of any of the above matters (if any) by our Controlling Shareholders and disclose such matters by way of a press announcement in accordance with Rule 2.07C of the Listing Rules.

The Placing

Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company will enter into the Placing Underwriting Agreement with, inter alia, the Placing Underwriters, on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement and on the additional terms described below. Under the Placing Underwriting Agreement, the Placing Underwriters will agree to subscribe or purchase or procure subscribers or purchasers for the Placing Shares being offered pursuant to the Placing. The Placing Underwriting Agreement is expected to provide that it may be terminated on grounds similar to those provided in the Public Offer Underwriting Agreement. Potential investors are reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed.

It is expected that, pursuant to the Placing Underwriting Agreement, our Company, our executive Directors and our Controlling Shareholders will give undertakings similar to those given pursuant to the Public Offer Underwriting Agreement, as described in the paragraph headed “Underwriting Arrangements and Expenses — The Public Offer — Undertakings pursuant to the Public Offer Underwriting Agreement” in this section.

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It is expected that each of our Controlling Shareholders will undertake to the Placing Underwriters not to dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interest or encumbrances in respect of any of our Shares held by them in our Company for a period similar to that given by them pursuant to the Public Offer Underwriting Agreement as described in the paragraph “Underwriting Arrangements and Expenses — The Public Offer — Undertakings Pursuant to the Public Offer Underwriting Agreement” in this section.

Underwriting commission and expenses

According to the Public Offer Underwriting Agreement, the Public Offer Underwriters will receive an underwriting commission of 5.0% of the aggregate Offer Price payable for the Public Offer Shares initially offered under the Public Offer, out of which they will pay any sub-underwriting commissions and selling concessions. The Placing Underwriters are expected to receive similar underwriting commission on the aggregate Offer Price payable for the Placing Shares subject to the terms and conditions of the Placing Underwriting Agreement.

Based on the Offer Price of HK\$0.40 per Offer Share, being the mid-point of the estimated Offer Price range, and assuming none of the Adjustment Options is exercised, such underwriting commissions, together with the Stock Exchange listing fee, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing, and other expenses relating to the Share Offer which are estimated to be approximately HK\$26.2 million in aggregate and are payable by our Company and the Selling Shareholder with reference to the number of New Shares and Sale Shares under the Share Offer respectively.

UNDERWRITERS’ INTERESTS IN OUR COMPANY

Save for their obligations under the Underwriting Agreements, none of the Underwriters is interested legally or beneficially in any shares of any member of our Group nor has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group nor any interest in the Share Offer.

SPONSOR’S INDEPENDENCE

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE PUBLIC OFFER

Number of Shares initially offered

Our Company is initially offering 25,000,000 Shares at the Offer Price, representing 10% of the 250,000,000 Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Public Offer will represent 2.5% of the total issued share capital of our Company immediately after completion of the Share Offer, assuming that none of the Adjustment Options is not exercised. The 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 which regularly invest in shares and other securities. Completion of the Public Offer is subject to the conditions set out in the paragraph headed “The Public Offer — Conditions of the Public Offer” in this section.

Conditions of the Public Offer

Acceptance of all applications for the Public Offer Shares in the Public Offer will be conditional on:

- (i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including any Shares which may be issued pursuant to the exercise of the Adjustment Options or any option which may be granted under the Share Option Scheme) (which shall in any event not be later than the 30th day after the date of this prospectus;
- (ii) the Offer Price having been fixed on or around the Price Determination Date;
- (iii) the executive and delivery of the Placing Underwriting Agreement on or around the Price Determination Date; and
- (iv) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining 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).

If, for any reason, the Offer Price is not agreed on or around 3 December 2015 between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Share Offer will not proceed and will lapse.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming and remaining unconditional and not having been terminated in accordance with its respective terms.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will be published by us in the South China Morning Post (in English) and the Hong Kong Economic Journal (in Chinese) and the websites of the Stock Exchange at www.hkexnews.hk and us at www.chimkeegroup.com.hk on the next day following such lapse. In such situation, all application monies will be refunded, without interest, on the terms set out in the section headed “How to apply for Public Offer Shares” in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other licensed 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 certificates of title at 8:00 a.m. (Hong Kong time) on the Listing Date provided that: (i) the Share Offer has become unconditional; and (ii) neither of the Underwriting Agreements has been terminated in accordance with the terms therein.

Allocation

For allocation purposes only, the Public Offer Shares initially being offered for subscription under the Public Offer (after taking into account any adjustment in the number of Offer Shares allocated between the Public Offer and the Placing) will be divided equally into two pools (subject to adjustment of odd lot size). Pool A will comprise 12,496,000 Public Offer Shares and Pool B will comprise 12,504,000 Public Offer Shares, both of which are available on a fair basis to successful applicants. All valid applications that have been received for Public Offer Shares with a total amount (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for Public Offer Shares with a total amount (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) of over HK\$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Public Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from either Pool A or Pool B but not from both pools and may only apply for Public Offer Shares in either Pool A or Pool B. In addition, multiple or suspected multiple applications within either pool or between pools will be rejected. No application will be accepted from applicants for more than 12,496,000 Public Offer Shares (being 50% of the initial number of Public Offer Shares).

Reallocation

The allocation of the Shares between the Public Offer and the Placing is subject to adjustment. If the number of Shares validly applied for in the Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Shares initially available under the Public Offer, the total number of Shares available under the Public Offer will be increased to 75,000,000, 100,000,000 and 125,000,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Shares initially available under the Share Offer (before any exercise of the Over-allotment Option). In such cases, the number of Shares allocated in the Placing will be correspondingly reduced, in such manner as the Joint Bookrunners deem appropriate, and such additional Shares will be allocated to Pool A and Pool B equally.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

If the Public Offer Shares are not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Joint Bookrunners deem appropriate. In addition, the Sole Global Coordinator may reallocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer.

The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

Applications

The Sole Global Coordinator may require any investor who has been offered Shares under the Placing, and who has made an application under the Public Offer to provide sufficient information to the Joint Bookrunners so as to allow it to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application for Shares under the Public Offer.

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him that he and any person for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the Placing.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Public Offer.

THE PLACING

Number of Offer Shares offered

The number of Shares to be initially offered for subscription under the Placing will be 225,000,000 Shares comprising 141,744,000 New Shares and 83,256,000 Sale Shares, representing 90% of the Offer Shares under the Share Offer. The Placing is subject to the Public Offer being unconditional.

Allocation

Allocation of the Offer Shares pursuant to the Placing will be determined by the Sole Global Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell the Offer Shares after Listing. Such allocation may be made to professional, institutional and other investors and is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and our Shareholders as a whole.

ADJUSTMENT OPTIONS

In connection with the Share Offer, our Company has granted the Adjustment Options to the Sole Global Coordinator (for itself and on behalf of the Underwriters) under the Underwriting Agreements.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Offer Size Adjustment Option

If the final Offer Price as agreed between our Company (for ourselves and on behalf of the Selling Shareholder) and the Sole Global Coordinator (for itself and on behalf of the Underwriters) is less than HK\$0.40 and as a result, the size of the Share Offer is less than HK\$100 million, the Sole Global Coordinator (for itself or on behalf of the Underwriters) can only exercise the Offer Size Adjustment Option to cover over-allocations under the Share Offer. The Offer Size Adjustment Option can only be exercised prior to Listing, otherwise it will lapse. Pursuant to the Offer Size Adjustment Option, our Company may be required to allot and issue up to an aggregate of 37,500,000 additional Placing Shares representing 15% of the Offer Shares initially available under the Share Offer. These Shares will be sold or issued at the Offer Price.

For the avoidance of doubt, the Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option would not be used for any purposes other than settlement of over-allocations in the Share Offer. Hence, it will not form part of the price stabilising actions. The Offer Size Adjustment Option would not be used for price stabilising purposes and is not subject to the Securities and Futures (Price Stabilising) Rules under the SFO. No purchase of the Shares in the secondary market will be effected to cover any excess demand in the Placing which will only be satisfied by the exercise of the Offer Size Adjustment Option in full or in part.

Our Company will disclose in its allotment results announcement whether and to what extent the Offer Size Adjustment Option has been exercised, and will confirm in the announcement that, if the Offer Size Adjustment Option is not exercised by then, the Offer Size Adjustment Option will lapse and cannot be exercised on any future date. The allotment results announcement will be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.chimkeegroup.com.hk.

If the Offer Size Adjustment Option is exercised in full, the additional 37,500,000 Shares and the 250,000,000 Shares initially offered in the Share Offer will represent approximately 3.61% and 24.10% of our Company's enlarged share capital respectively immediately after completion of the Share Offer and the exercise in full of the Offer Size Adjustment Option. The additional net proceeds received from the offer of the additional Shares allotted and issued upon exercise of the Offer Size Adjustment Option will be allocated in accordance with the allocations as disclosed in the section headed "Future plans and use of proceeds" in this prospectus.

Over-allotment Option

If the final Offer Price as agreed between our Company (for ourselves and on behalf of the Selling Shareholder) and the Sole Global Coordinator (for itself and on behalf of the Underwriters) is HK\$0.40 or above, the size of the Share Offer is not less than HK\$100 million. In such event, the Sole Global Coordinator (for itself or on behalf of the Underwriters) can exercise the Over-allotment Option, which will be exercisable at any time from the date of this prospectus to the 30th day from the last day for lodging applications under the Share Offer. Pursuant to the Over-allotment Option, our Company may be required to allot and issue up to an aggregate of 37,500,000 additional Shares representing 15% of the Offer Shares initially available under the Share Offer. These Shares will be sold or issued at the Offer Price.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

If the Over-allotment Option is exercised in full, the additional 37,500,000 Shares and the 250,000,000 Shares initially offered in the Share Offer will represent approximately 3.61% and 24.10% of our Company's enlarged share capital respectively immediately after completion of the Share Offer and the exercise in full of the Over-allotment Option.

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 newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial offer prices of the securities. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Share Offer, the Sole Global Coordinator, as stabilising manager or its authorised agents, may, but is not obliged to, over-allocate Shares and/or effect any other transactions with a view to stabilising or supporting the market price of our Shares at a level higher than which might otherwise prevail in the open market, for a limited period. Such stabilising activity may include stock borrowing, making market purchases of Shares in the secondary market or selling Shares to liquidate a position held as a result of those purchases, as well as exercising the Over-allotment Option. Any such stabilising activity will be effected in compliance with all applicable laws, rules and regulatory requirements in Hong Kong on stabilisation including the Securities and Futures (Price Stabilising) Rules made under the SFO. However, there is no obligation on the Stabilising Manager or its authorised agents to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Stabilising Manager or its authorised agents and may be discontinued at any time. The number of Shares that may be overallocated will not exceed the number of Shares that may be issued under the Over-allotment Option, namely 37,500,000 Shares, which is 15% of the number of Shares initially available under the Share Offer.

As a result of effecting transactions to stabilise or maintain the market price of our Shares, the Stabilising Manager or its authorised agents may maintain a long position in our Shares. The size of the long position, and the period for which the Stabilising Manager or its authorised agents will maintain the long position is at the discretion of the Stabilising Manager or its authorised agents and is uncertain. In the event that the Stabilising Manager or its authorised agents liquidates this long position by making sales in the open market, this may lead to a decline in the market price of our Shares.

Stabilising activity by the Stabilising Manager or its authorised agents is not permitted to support the price of our Shares for longer than the stabilising period, which begins on the day on which trading of our Shares commences on the Stock Exchange and ends on the 30th day from the last day for lodging applications under the Share Offer. The stabilising period is expected to end on Saturday, 2 January 2016.

Any stabilising activity taken by the Stabilising Manager or its authorised agents may not necessarily result in the market price of our Shares staying at or above the Offer Price either during or after the stabilising period. Bids for or market purchases of our Shares by the Stabilising Manager or its authorised agents may be made at a price at or below the Offer Price and therefore at or below the price paid for our Shares by investors.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

In order to facilitate the settlement of over-allocations, the Stabilising Manager or its authorised agents may, among other means, purchase Shares in the secondary market, enter into stock borrowing arrangements with holders of Shares, exercise the Over-allotment Option, engage in a combination of these means or otherwise as may be permitted under applicable laws. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations.

STOCK BORROWING AGREEMENT

The Stabilising Manager, as stabilising manager or its authorised agents may borrow up to 37,500,000 Shares from Tang J F T, equivalent to the maximum number of additional Shares to be offered upon full exercise of the Over-allotment Option, under the Stock Borrowing Agreement. The Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are to be complied with as follows:

- such stock borrowing arrangement with our Controlling Shareholders will only be effected by the Stabilising Manager for settlement of over-allocations in the Share Offer and covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares borrowed from our Controlling Shareholders under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to our Controlling Shareholders or its nominees on or before the third business day following the earlier of (i) the last day on which the Over-allotment Option may be exercised, (ii) the date on which the Over-allotment Option is exercised in full and the relevant over-allocation shares have been allocated, and (iii) such earlier time as the parties may from time to time agree in writing;
- the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, listing rules and regulatory requirements; and
- no payment will be made to our Controlling Shareholders by the Stabilising Manager or its authorised agents in relation to such stock borrowing arrangement.

SHARES WILL BE ELIGIBLE FOR CCASS

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

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

DEALING ARRANGEMENTS

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 10 December 2015, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, 10 December 2015. The Shares will be traded in board lots of 8,000 Shares.

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Sponsor, 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 Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form**, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Sponsor or the Sole Global Coordinator may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** for the Public Offer Shares.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Share Offer; or
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.hkeipo.hk.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Prospectus and Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 30 November 2015 until 12:00 noon on Thursday, 3 December 2015 from:

- (i) the following office of the Sole Global Coordinator:

RHB Securities Hong Kong Limited at 12th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

(ii) the following office of the Sole Sponsor:

RHB Capital Hong Kong Limited at 12th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong

(iii) any of the following branches of DBS Bank (Hong Kong) Limited:

District	Branch Name	Address
Hong Kong Island	Head Office	G/F, The Center, 99 Queen's Road Central
	United Centre Branch	Shops 1015–1018 on 1/F & Shops, 2032–2034, 2/F, United Centre, 95 Queensway, Admiralty
	North Point Branch	G/F, 391 King's Road, North Point
Kowloon	Tsimshatsui Branch	G/F, 22–24 Cameron Road, Tsim Sha Tsui
	Hoi Yuen Road Branch	Unit 2, G/F, Hewlett Centre, 54 Hoi Yuen Road, Kwun Tong
New Territories	Yuen Long Branch	G/F, 1–5 Tai Tong Road, Yuen Long
	Shatin Plaza Branch	Shops 47–48, Level 1, Shatin Plaza, 21–27 Sha Tin Centre Street, Shatin
	Tsuen Wan Branch	G/F, 23 Chung On Street, Tsuen Wan

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 30 November 2015 until 12:00 noon on Thursday, 3 December 2015 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

HOW TO APPLY FOR PUBLIC OFFER 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 "Ting Hong Nominees Limited — Clear Lift Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Monday, 30 November 2015 — 9:00 a.m. to 5:00 p.m.
Tuesday, 1 December 2015 — 9:00 a.m. to 5:00 p.m.
Wednesday, 2 December 2015 — 9:00 a.m. to 5:00 p.m.
Thursday, 3 December 2015 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 3 December 2015, the last application day or such later time as described in the paragraph headed "Effect of bad weather on the opening of the application lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form**, among other things, you:

- (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 Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Global Coordinator and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;

HOW TO APPLY FOR PUBLIC OFFER 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 through the **HK eIPO White Form** by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that
- (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and
 - (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK EIPO WHITE FORM

General

Individuals who meet the criteria in the paragraph headed “Who can apply”, may apply through the **HK eIPO White Form** for the Offer Shares to be allotted and registered in their own names through the designated website at www.hkeipo.hk.

Detailed instructions for application through the **HK eIPO White Form** are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form**.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application through the **HK eIPO White Form** at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, 30 November 2015 until 11:30 a.m. on Thursday, 3 December 2015 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 3 December 2015 or such later time under the paragraph headed “Effects of bad weather on the opening of the application lists” in this section.

HOW TO APPLY FOR PUBLIC OFFER SHARES

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instructions** given by you or for your benefit through the **HK eIPO White Form** to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instructions** under **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the HK eIPO White Form or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Sponsor, 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 the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
 - (if the electronic application instructions are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, our Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Companies Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 8,000 Public Offer Shares. Instructions for more than 8,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Monday, 30 November 2015 — 9:00 a.m. to 8:30 p.m.⁽¹⁾
Tuesday, 1 December 2015 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, 2 December 2015 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
Thursday, 3 December 2015 — 8:00 a.m. to 12:00 noon⁽¹⁾

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 Monday, 30 November 2015 until 12:00 noon on Thursday, 3 December 2015 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, 3 December 2015, the last application day or such later time as described in the paragraph headed “Effect of bad weather on the opening of the application lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, 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 PUBLIC OFFER SHARES

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **HK eIPO White Form** is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Global Coordinator, the Sole Sponsor and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, 3 December 2015.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form**, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company, then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or

HOW TO APPLY FOR PUBLIC OFFER SHARES

- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** in respect of a minimum of 8,000 Public Offer Shares. Each application or **electronic application instructions** in respect of more than 8,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.hkeipo.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure and conditions of the Share Offer” 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 Thursday, 3 December 2015. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, 3 December 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Wednesday, 9 December 2015 in the South China Morning Post (in English) and Hong Kong Economic Journal (in Chinese) and on our Company's website at www.chimkeegroup.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at www.chimkeegroup.com.hk and the Stock Exchange's website at www.hkexnews.hk by no later than 9:00 a.m. on Wednesday, 9 December 2015;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Wednesday, 9 December 2015 to 12:00 midnight on Tuesday, 15 December 2015;
- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, 9 December 2015 to Monday, 14 December 2015 on a business day;
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 9 December 2015 to Friday, 11 December 2015 at all the receiving bank branches on a Business Day.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure and conditions of the Share Offer" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

HOW TO APPLY FOR PUBLIC OFFER SHARES

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or through the HK eIPO White Form, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

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 Sponsor, 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 Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(iv) **If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** 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 believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Public Offer Shares initially offered under the Public Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$0.48 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer set out in the section headed "Structure and conditions of the Share Offer — The Public Offer — Conditions of the Public Offer" in this prospectus are not fulfilled or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Wednesday, 9 December 2015.

HOW TO APPLY FOR PUBLIC OFFER SHARES

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Wednesday, 9 December 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 order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, 10 December 2015 provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 9 December 2015 or such other date as notified by us in the newspapers.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Wednesday, 9 December 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 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Wednesday, 9 December 2015, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, 9 December 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 Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- *If you apply as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the paragraph headed "Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 9 December 2015 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

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(iii) If you apply through the HK eIPO White Form

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 9 December 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.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Wednesday, 9 December 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 Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, 9 December 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 Public Offer in the manner specified in the paragraph headed "Publication of results" above on Wednesday,

HOW TO APPLY FOR PUBLIC OFFER SHARES

9 December 2015. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 9 December 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 Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 9 December 2015. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 9 December 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 stockbrokers or other professional advisers for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the sole purpose of inclusion in this prospectus, from the Company's reporting accountant, BDO Limited, Certified Public Accountants, Hong Kong.



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香港干諾道中111號
永安中心25樓

30 November 2015

The Directors
Clear Lift Holdings Limited
RHB Capital Hong Kong Limited

Dear Sirs

We set out below our report on the financial information of Clear Lift Holdings Limited (formerly known as Chim Kee Holdings Limited) (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”), which comprises the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for each of the years ended 31 March 2013, 2014 and 2015 and the five months ended 31 August 2015 (the “Relevant Periods”), and the combined statements of financial position of the Group as at 31 March 2013, 2014 and 2015 and 31 August 2015 and the statements of financial position of the Company as at 31 March 2015 and 31 August 2015, and a summary of significant accounting policies and other explanatory notes (the “Financial Information”), and the combined statement of comprehensive income, combined statement of changes in equity and combined statement of cash flows of the Group for the five months ended 31 August 2014 (the “Stub Period Comparative Financial Information”), prepared on the basis of presentation set out in Note 2(b) of Section II below, for inclusion in the prospectus of the Company dated 30 November 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 the Cayman Islands on 24 September 2014 as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

Pursuant to the group reorganisation completed on 20 October 2015 (the “Reorganisation”) as described in Note 2(a) of Section II below, the Company became the holding company of the subsidiaries now comprising the Group. The Group is principally engaged in leasing of construction machinery, trading of construction machinery and spare parts, and provision of machinery transportation services mainly in Hong Kong.

The Company and its subsidiaries have adopted 31 March as their financial year end date. Particulars of the subsidiaries comprising the Group are set out in Note 1 of Section II below.

No audited financial statements have been prepared for the Company since its date of incorporation as it is newly incorporated and have not carried on any business, other than the Reorganisation as referred to above.

BASIS OF PREPARATION

For the purpose of this report, the directors of the Company have prepared the combined financial statements of the Group for the Relevant Periods (the “Underlying Financial Statements”), in accordance with the basis of presentation set out in Note 2(b) of Section II below and the accounting policies set out in Note 5 of Section II below which conform with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements with no adjustments made thereon and in accordance with the basis of presentation set out in Note 2(b) of Section II below.

DIRECTORS' RESPONSIBILITY

The directors of the Company are responsible for the contents of the Prospectus including the preparation of the Financial Information that gives a true and fair view in accordance with the basis of presentation set out in Note 2(b) of Section II below and the accounting policies set out in Note 5 of Section II below and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange (the “Listing Rules”), and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANT'S RESPONSIBILITY

It is our responsibility to form an opinion on the Financial Information and to report our opinion to you.

For the purpose of this report, we have carried out audit procedures in respect of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the “HKSAAs”) issued by the HKICPA and have examined the Financial Information of the Group and carried out appropriate procedures as we considered necessary in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

For the purpose of this report, we have also performed a review of the Stub Period Comparative Financial Information, which has been prepared in accordance with the basis of presentation set out in Note 2(b) of Section II below and the accounting policies set out in Note 5 of Section II below, 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 of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures to the Stub Period Comparative Financial Information. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards

on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an opinion on the Stub Period Comparative Financial Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, the Financial Information, for the purpose of this report, prepared on the basis set out in Note 2(b) of Section II below and in accordance with the accounting policies in Note 5 of Section II below, gives a true and fair view of the state of affairs of the Company as at 31 March 2015 and 31 August 2015 and the combined state of affairs of the Group as at 31 March 2013, 2014 and 2015 and 31 August 2015 and of the combined results and combined cash flows of the Group for each of the Relevant Periods then ended.

REVIEW CONCLUSION IN RESPECT OF THE STUB PERIOD COMPARATIVE FINANCIAL INFORMATION

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report, is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

Combined Statements of Comprehensive Income

	Notes	Year ended 31 March			Five months ended 31 August	
		2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
Revenue	8	242,948	316,810	368,942	162,699	140,084
Cost of sales and services rendered		<u>(172,933)</u>	<u>(245,860)</u>	<u>(306,422)</u>	<u>(125,717)</u>	<u>(124,300)</u>
Gross profit		70,015	70,950	62,520	36,982	15,784
Other income and gains	8	4,135	2,847	6,239	1,414	1,771
Loss on foreign currency forward contracts		—	—	(527)	—	—
Impairment of trade receivables		(12,099)	—	—	—	—
Listing expenses		—	—	(8,352)	(3,141)	(1,242)
Administrative expenses		(15,184)	(19,085)	(21,707)	(7,695)	(9,204)
Finance costs	9	<u>(7,755)</u>	<u>(7,786)</u>	<u>(6,837)</u>	<u>(2,926)</u>	<u>(2,646)</u>
Profit before income tax expense	10	39,112	46,926	31,336	24,634	4,463
Income tax expense	11	<u>(5,992)</u>	<u>(7,661)</u>	<u>(6,972)</u>	<u>(5,454)</u>	<u>(779)</u>
Profit and total comprehensive income for the year/period		<u>33,120</u>	<u>39,265</u>	<u>24,364</u>	<u>19,180</u>	<u>3,684</u>
Attributable to:						
Owners of the Company		33,086	39,232	24,324	19,159	3,686
Non-controlling interests		<u>34</u>	<u>33</u>	<u>40</u>	<u>21</u>	<u>(2)</u>
		<u>33,120</u>	<u>39,265</u>	<u>24,364</u>	<u>19,180</u>	<u>3,684</u>

Combined Statements of Financial Position

	Notes	As at 31 March			As at
		2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	31 August 2015 HK\$'000
Non-current assets					
Property, plant and equipment	15	248,606	249,407	234,384	216,214
Investment property	16	725	713	—	—
Down-payment for acquisition of property, plant and equipment		—	1,509	—	1,393
Finance lease receivables	20	—	—	9,420	7,685
Deferred tax assets	28	52	—	—	928
		<u>249,383</u>	<u>251,629</u>	<u>243,804</u>	<u>226,220</u>
Current assets					
Inventories	17	510	4,379	887	5,580
Trade receivables	18	80,371	66,630	71,783	51,011
Prepayments, deposits and other receivables	19	20,702	11,728	12,926	20,321
Finance lease receivables	20	—	—	4,010	4,100
Amounts due from related companies	24	27,109	30,462	10,502	7
Amount due from a shareholder	24	1,200	16,200	57,980	—
Amount due from a director	25	3,745	12,721	1,125	402
Pledged bank deposits	21	—	—	4,550	4,560
Cash and cash equivalents	21	9,263	28,357	53,152	49,657
Current tax recoverable		4,620	3,649	3,411	3,411
		<u>147,520</u>	<u>174,126</u>	<u>220,326</u>	<u>139,049</u>
Current liabilities					
Trade payables	22	7,998	10,961	18,765	8,092
Accruals, deposits received and other payables	23	18,662	12,745	15,099	14,902
Amounts due to related companies	24	347	661	3,965	—
Bank overdrafts	26	19,531	—	—	—
Borrowings	26	34,160	67,041	81,884	67,520
Finance lease payables	27	90,531	66,076	42,989	40,349
Current tax liabilities		458	3,158	739	2,266
		<u>171,687</u>	<u>160,642</u>	<u>163,441</u>	<u>133,129</u>
Net current (liabilities)/assets		<u>(24,167)</u>	<u>13,484</u>	<u>56,885</u>	<u>5,920</u>
Total assets less current liabilities		<u>225,216</u>	<u>265,113</u>	<u>300,689</u>	<u>232,140</u>

		As at 31 March			As at
		2013	2014	2015	31 August
	Notes	HK\$'000	HK\$'000	HK\$'000	2015
					HK\$'000
Non-current liabilities					
Finance lease payables	27	23,444	22,284	31,554	21,405
Deferred tax liabilities	28	<u>26,960</u>	<u>28,752</u>	<u>30,694</u>	<u>30,610</u>
		<u>50,404</u>	<u>51,036</u>	<u>62,248</u>	<u>52,015</u>
Net assets		<u><u>174,812</u></u>	<u><u>214,077</u></u>	<u><u>238,441</u></u>	<u><u>180,125</u></u>
EQUITY					
Share capital	29	1,000	1,000	1,000	1,000
Reserves	30	<u>173,637</u>	<u>212,869</u>	<u>237,193</u>	<u>178,879</u>
Equity attributable to owners of the Company		174,637	213,869	238,193	179,879
Non-controlling interests		<u>175</u>	<u>208</u>	<u>248</u>	<u>246</u>
Total equity		<u><u>174,812</u></u>	<u><u>214,077</u></u>	<u><u>238,441</u></u>	<u><u>180,125</u></u>

Statements of Financial Position of the Company

		As at 31 March 2015 <i>HK\$'000</i>	As at 31 August 2015 <i>HK\$'000</i>
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Investment in a subsidiary		<u>1</u>	<u>1</u>
Current assets			
Prepayments	19	<u>2,427</u>	<u>2,702</u>
Total assets		<u>2,428</u>	<u>2,703</u>
Current liabilities			
Accruals	23	284	284
Amount due to a subsidiary	24	110	1,703
Amount due to a related party	24	6,957	—
Amount due to a director	25	<u>3,631</u>	<u>10,592</u>
		<u>10,982</u>	<u>12,579</u>
Net current liabilities		<u>(8,555)</u>	<u>(9,877)</u>
NET LIABILITIES		<u>(8,554)</u>	<u>(9,876)</u>
EQUITY			
Share capital	29	—	—
Accumulated losses	30	<u>(8,554)</u>	<u>(9,876)</u>
Total equity		<u>(8,554)</u>	<u>(9,876)</u>

Combined Statements of Changes in Equity

	Equity attributable to owners of the Company			Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000 (Note 29)	Retained earnings HK\$'000	Total HK\$'000		
At 1 April 2012	1,000	140,551	141,551	141	141,692
Profit and total comprehensive income for the year	—	33,086	33,086	34	33,120
At 31 March 2013 and 1 April 2013	1,000	173,637	174,637	175	174,812
Profit and total comprehensive income for the year	—	39,232	39,232	33	39,265
At 31 March 2014 and 1 April 2014	1,000	212,869	213,869	208	214,077
Profit and total comprehensive income for the year	—	24,324	24,324	40	24,364
At 31 March 2015 and 1 April 2015	1,000	237,193	238,193	248	238,441
Profit and total comprehensive income for the period	—	3,686	3,686	(2)	3,684
Dividends (Note 13)	—	(62,000)	(62,000)	—	(62,000)
At 31 August 2015	<u>1,000</u>	<u>178,879</u>	<u>179,879</u>	<u>246</u>	<u>180,125</u>
At 1 April 2014	1,000	212,869	213,869	208	214,077
Profit and total comprehensive income for the period (unaudited)	—	19,159	19,159	21	19,180
At 31 August 2014 (unaudited)	<u>1,000</u>	<u>232,028</u>	<u>233,028</u>	<u>229</u>	<u>233,257</u>

Combined Statements of Cash Flows

	Notes	Year ended 31 March			Five months ended 31 August	
		2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
Cash flows from operating activities						
Profit before income tax expense		39,112	46,926	31,336	24,634	4,463
Adjustments for:						
Interest income from bank deposits and amounts due from related companies	8	(631)	—	(3)	—	(9)
Finance lease interest income	8	—	—	(628)	(202)	(274)
Interest expenses	9	7,755	7,786	6,837	2,926	2,646
Gain on disposal and write-off of property, plant and equipment, net	10	(636)	(80)	(111)	(91)	(57)
Gain on disposal of an investment property	8	—	—	(1,999)	—	—
Depreciation of property, plant and equipment	10	30,664	35,189	36,762	15,226	15,769
Impairment of trade receivables		12,099	—	—	—	—
Write-down of inventories	10	1,735	—	—	—	—
Depreciation of an investment property	10	12	12	8	5	—
Operating profit before working capital changes		90,110	89,833	72,202	42,498	22,538
Decrease in inventories		8,240	1,106	30,625	20,037	1,484
(Increase)/decrease in trade receivables		(38,526)	13,741	(5,153)	(5,069)	20,772
(Increase)/decrease in prepayments, deposits and other receivables		(12,396)	8,974	(1,198)	(4,140)	(7,395)
Decrease/(increase) in amounts due from related companies		12,161	(3,353)	22,760	10,099	10,495
Increase/(decrease) in trade payables		814	2,963	7,804	150	(10,673)
Increase/(decrease) in accruals, deposits received and other payables		10,519	(5,917)	2,354	2,557	(197)
(Decrease)/increase in amounts due to related companies		(1,169)	314	3,304	744	(3,965)
Cash generated from operations		69,753	107,661	132,698	66,876	33,059
Income tax paid		(5,205)	(2,146)	(7,307)	—	(264)
Net cash generated from operating activities		<u>64,548</u>	<u>105,515</u>	<u>125,391</u>	<u>66,876</u>	<u>32,795</u>

	Notes	Year ended 31 March			Five months ended 31 August	
		2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
Cash flows from investing activities						
Purchase of property, plant and equipment		(38,623)	(38,900)	(40,989)	(10,931)	(3,410)
Proceeds from disposal of property, plant and equipment		646	246	302	—	57
(Increase)/decrease in down-payment for acquisition of property, plant and equipment		—	(1,509)	1,509	—	(1,393)
Increase in pledged bank deposits		—	—	(4,550)	—	(10)
Increase in amount due from a shareholder		(6,135)	(15,000)	(41,780)	(16,000)	(4,020)
Decrease/(increase) in amount due from a director		1,636	(8,976)	11,596	3,623	723
Increase/(decrease) in finance lease receivables		—	—	(13,430)	(9,457)	1,645
Finance lease interest income received		—	—	628	202	274
Bank interest received		—	—	3	—	9
Net cash used in investing activities		<u>(42,476)</u>	<u>(64,139)</u>	<u>(86,711)</u>	<u>(32,563)</u>	<u>(6,125)</u>
Cash flows from financing activities						
Interest paid		(7,755)	(7,786)	(6,837)	(2,926)	(2,646)
Proceeds from new borrowings		59,095	90,060	122,086	21,656	49,808
Proceeds from new finance lease payables		33,330	18,929	17,536	6,333	1,692
Repayments of borrowings		(74,400)	(57,179)	(107,243)	(34,882)	(64,172)
Repayments of finance lease payables		(44,063)	(46,775)	(39,427)	(16,692)	(14,847)
Net cash used in financing activities		<u>(33,793)</u>	<u>(2,751)</u>	<u>(13,885)</u>	<u>(26,511)</u>	<u>(30,165)</u>
Net (decrease)/increase in cash and cash equivalents		(11,721)	38,625	24,795	7,802	(3,495)
Cash and cash equivalents at beginning of the year/period		<u>1,453</u>	<u>(10,268)</u>	<u>28,357</u>	<u>28,357</u>	<u>53,152</u>
Cash and cash equivalents at end of the year/period		<u>(10,268)</u>	<u>28,357</u>	<u>53,152</u>	<u>36,159</u>	<u>49,657</u>
Represented by:						
Cash and cash equivalents	21	9,263	28,357	53,152	36,159	49,657
Less: Bank overdrafts		(19,531)	—	—	—	—
		<u>(10,268)</u>	<u>28,357</u>	<u>53,152</u>	<u>36,159</u>	<u>49,657</u>

II. NOTES TO FINANCIAL INFORMATION

1. Corporate information

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2004 revision) Chapter 22 of the Cayman Islands. The address of the Company's registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108 Cayman Islands and its principal place of business in Hong Kong is 1/F., Front, 438 Nathan Road, Yau Ma Tei, Kowloon. The Group is principally engaged in leasing of construction machinery, trading of construction machinery and spare parts, and provision of machinery transportation services mainly in Hong Kong (the "Listing Business").

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies with limited liability, the particulars of which are set out as follows:

Name	Country and date of incorporation/ establishment and form of business structure	Nominal value of issued share capital	Attributable equity interest		Principal activities and place of operations	Notes
			direct	indirect		
Crawler Krane Business Limited	British Virgin Islands, 30 September 2014, limited liability company	US\$100	100%	—	Investment holding, Hong Kong	(1)
Chim Kee Company, Limited	Hong Kong, 23 February 1962, limited liability company	HK\$1,000,000	—	99.9%	Construction machinery leasing and trading, Hong Kong	(2)
Chim Kee Machinery Co., Limited	Hong Kong, 2 June 2004, limited liability company	HK\$1	—	99.9%	Construction machinery leasing, Hong Kong	(2)
Chim Kee Transportation Company Limited	Hong Kong, 20 November 1979, limited liability company	HK\$1,200,000	—	99.9%	Provision of machinery transportation services, Hong Kong	(2)
K B Machinery Co., Limited	Hong Kong, 26 November 2010, limited liability company	HK\$1	—	100%	Construction machinery trading, Hong Kong	(2)
Chim Kee Equipment Limited	Hong Kong, 25 November 2014, limited liability company	HK\$1	—	100%	Construction machinery leasing, Hong Kong	(3)
HIGHTION, SOCIEDADE UNIPessoal LIMITADA	Macau, 19 September 2014, sole shareholder limited liability company	MOP25,000	—	100%	Construction machinery leasing, Macau	(1)

Notes:

- (1) No statutory financial statements have been prepared for these subsidiaries as there is no statutory requirement to do so.
- (2) The statutory financial statements for the year ended 31 March 2013 were audited by Cheung Lee Ng & Company, Certified Public Accountants.

The statutory financial statements for the years ended 31 March 2014 and 2015 were audited by BDO Limited, Certified Public Accountants.

- (3) No statutory financial statements have been prepared for this subsidiary since its date of incorporation as it is newly incorporated and has not carried on any business.

2. Reorganisation and basis of presentation

(a) Reorganisation

Prior to the incorporation of the Company and the completion of the Reorganisation, the Listing Business was carried on by companies now comprising the Group (hereinafter collectively referred to as the “Operating Companies”). The Operating Companies were controlled by Mr. Tang Kan throughout the Relevant Periods.

Pursuant to the Reorganisation as detailed in the section headed “History, development and Reorganisation” to the Prospectus, in preparation for the listing of shares of the Company on the Main Board of the Stock Exchange (the “Listing”) and for the purpose of rationalising the Group’s structure, the Company became the holding company of the subsidiaries now comprising the Group on 20 October 2015.

(b) Basis of Presentation

Immediately prior to and after the Reorganisation, the Listing Business is held by the Operating Companies. Pursuant to the Reorganisation, the Operating Companies together with the Listing Business are transferred to and held by the Company through Crawler Krane Business Limited. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is therefore merely a reorganisation of the Listing Business and does not constitute a business combination. The Group is therefore regarded as a continuing entity resulting from the Reorganisation, as there has been a continuation of the risks and benefits to Mr. Tang Kan that existed prior to the combination. Accordingly, for the purpose of this report, the Financial Information of the Group has been prepared by applying the principles of merger accounting principles, as if the group structure under the Reorganisation had been in existence throughout the Relevant Periods or since the respective dates of incorporation/establishment of the entities now comprising the Group, whichever is the shorter period.

The combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the Relevant Periods have been prepared using the financial information of the entities now comprising the Group, as if the current group structure had been in existence throughout the Relevant Periods, or since the respective dates of incorporation of the relevant entities now comprising the Group where this is a shorter period. The combined statements of financial position of the Group as at 31 March 2013, 2014 and 2015 and 31 August 2015 have been prepared to present the assets and liabilities of the entities now comprising the Group which were in existence at those dates, as if the current group structure had been in existence as at the respective dates. The net assets and results of the Group were combined using the carrying value from the perspective of the ultimate controlling shareholder. All significant intra-group transactions and balances have been eliminated on combination.

The Financial Information is presented in Hong Kong Dollars (“HK\$”), which is also the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest thousands, except when otherwise indicated.

3. Basis of Preparation

For the purpose of preparing and presenting the Financial Information, the Group has consistently applied the accounting policies set out below, which conform to HKFRSs (which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA, throughout the Relevant Periods. The Financial Information also complies with the applicable disclosure provisions of the Listing Rules.

The Financial Information has been prepared under the historical cost basis.

It should be noted that accounting estimates and assumptions are used in the preparation of the Financial Information. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 6.

4. Impact of issued but not yet effective HKFRSs

The Group has not early applied the following new and revised HKFRSs that have been issued, potentially relevant to the Group's operations, but are not yet effective, in the Financial Information.

HKFRS 9 (2014)	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
HKFRSs (Amendments)	Annual Improvements 2012–2014 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2018

None of the above new and revised HKFRSs is expected to have a significant effect on the Financial Information, except as set out below:

HKFRS 9 (2014) replaces the whole of HKAS 39. HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. HKFRS 9 introduces a new model for the recognition of impairment losses, the expected credit losses model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a 'three stage' approach. HKFRS 9 applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk. The new guidance better aligns hedge accounting with the risk management activities of an entity and provides relief from the more "rule-based" approach of HKAS 39. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. The Group is yet to assess HKFRS 9's full impact.

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach. HKFRS 15 replaces the previous revenue standards: HKAS 18 "Revenue" and HKAS 11 "Construction Contracts", and the related interpretations on revenue recognition: HK(IFRIC) 13 "Customer Loyalty Programmes", HK(IFRIC) 15 "Agreements for the Construction of Real Estate", HK(IFRIC) 18 "Transfers of Assets from Customers" and HK(SIC)-31 "Revenue — Barter Transactions Involving Advertising Services". The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes' to an 'asset-liability' approach based on transfer of control. The Group is yet to assess HKFRS 15's full impact.

5. Summary of significant accounting policies

5.1 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (1) power over the investee; (2) exposure, or rights, to variable returns from the investee; and (3) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

5.2 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated 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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write-off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each of the Relevant Periods. The estimated useful lives are as follows:

Leasehold land and building	Over the lease terms
Leasehold improvements	Shorter of lease terms and 10 years
Machinery	10 years
Furniture and equipment	4 years
Motor vehicles	4 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the terms of the relevant leases.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

The Group, in the course of its ordinary activities, routinely sells its machinery that it has held for rental to others, transfers such assets to inventories at their carrying amount when they cease to be rented and become held for sale.

5.3 *Investment property*

Investment property is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Depreciation is charged so as to write-off the cost of investment property net of expected residual value over the estimated useful life using straight-line method. The useful life, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each of the Relevant Periods.

5.4 *Inventories*

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using first-in-first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

5.5 *Financial instruments*

(i) *Financial assets*

The Group's financial assets are mainly classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace concerned.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables), and also other types of contractual monetary assets. Loans and receivables are initially recognised at fair value plus directly attributable transaction costs that are directly attributable to the acquisition of the financial assets. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each of the Relevant Periods, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (as incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Objective evidence of impairment may include:

- significant financial difficulty of the debtor or the group of debtors;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; or
- it becoming probable that the debtor or the group of debtors will enter bankruptcy or other financial reorganisation.

For certain categories of financial assets such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the general credit period, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Financial liabilities at amortised cost

Financial liabilities at amortised cost include trade payables, accruals and other payables, amounts due to directors and related parties, borrowings and finance lease payables. They are initially recognised at fair value, net of directly attributable transaction costs incurred, and are subsequently measured at amortised cost using the effective interest method. The related interest expense is recognised in profit or loss. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Trade payables, accruals and other payables, amounts due to directors and related companies

They are recognised initially at their fair value, net of directly attributable transaction costs incurred and subsequently measured at amortised cost, using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

(iv) *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest expense over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial asset or financial liability, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

(v) *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the group entities after deducting all of its liabilities. Equity instruments issued by a group entity are recorded at the proceeds received, net of direct issue costs.

(vi) *Financial guarantee contracts*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

(vii) *Derecognition*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(viii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the combined statements of financial position if, and only 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.

5.6 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

5.7 Leasing

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

Rental income is recognised in accordance with Note 5.14(b). Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

The land and buildings elements of property leases are considered separately for the purposes of lease classification. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of land and buildings as a finance lease of property, plant and equipment.

5.8 *Provision and contingent liabilities*

A provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

5.9 *Impairment of non-financial assets*

At the end of each of the Relevant Periods, the Group reviews the carrying amounts of assets (other than inventories and financial assets) to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

5.10 *Employee benefits*

(i) *Defined contribution retirement plan*

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are recognised as an expense in 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.

(ii) *Short-term employee benefits*

Short-term employee benefits are recognised when they accrue to employees. In particular, a provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of reporting period. Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

(iii) *Termination benefits*

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

5.11 Foreign currencies

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

5.12 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

5.13 Income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the end of reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of income tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the end of reporting period between the carrying amounts of assets and liabilities in the Financial Information and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary difference, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the end of reporting period.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly to equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

- (a) the Group has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

5.14 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services and the use by others of the Group's assets yielding interest, dividend and rentals, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

- (a) Revenue from sale of machinery and spare parts is recognised when the significant risks and rewards of ownership have been transferred to the customers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. Normally, risk is transferred upon dispatch of goods and customer has accepted the goods.
- (b) Rental income under operating leases is recognised in profit or loss on a straight-line basis over the periods covered by the lease term, except where an alternative basis is more representative of the time pattern of benefits to be derived from the use of the leased asset.
- (c) Provision of transportation services includes those related to local container delivery, site construction delivery and transport of heavy machinery by trucks, lorries and trailers. Transportation service income is recognised when the services are rendered.
- (d) Other service income is recognised when the services are rendered.
- (e) Interest income is recognised on a time-proportion basis using the effective interest method.
- (f) Dividend income is recognised when the right to receive payment is established.
- (g) Revenue attributable to finance leases is recognised over the lease term on a systematic and rational basis so as to produce a constant rate of return on the net investment in the finance lease.

5.15 Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group.

- (b) An entity is related to the Group if any of the following conditions apply:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) Both entities are joint ventures of the same third party;
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group;
 - (vi) The entity is controlled or jointly controlled by a person identified in (a); or
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

5.16 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except interest income, unallocated finance costs, and unallocated corporate expenses, which are not directly attributable to the business activities of any operating segment, are not included in arriving at the operating results of the operating segment.

No asymmetrical allocations have been applied to reportable segments.

5.17 Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

6. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Financial Information of the Group requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of each of the Relevant Periods. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(a) Critical judgements in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Financial Information:

Lease accounting

Judgement is required in the initial classification of leases as either operating leases or finance leases and, in respect of finance leases, determining the appropriate discount rate implicit in the lease to discount minimum lease payments. Determining whether a lease agreement is a finance lease or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the Group. Management assesses the classification of a lease at the inception of the lease by taking into account the fair value of the leased asset, the economic life of the leased asset, the period of the lease and the probability of exercising purchase options, if any, attached to the lease. For those leases that would not transfer ownership of the assets to the Group at the end of the lease term, and that it is not reasonably certain that the purchase options, if any, attached to the arrangements would be exercised, they are being treated as operating leases. In respect of leases classified as finance leases, it has not been possible to reliably estimate lessors' residual values and management has been required to independently estimate an appropriate discount rate. The accounting policy for leases is set out in Note 5.7.

(b) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, 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. The Group based its assumptions and estimates on parameters available when the Financial Information were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Useful lives and residual values of property, plant and equipment

In determining the useful life and residual value of an item of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvement in production, or from a change in the market demand for the products or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in similar way. The Group will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the tax losses can be utilised. Recognition of deferred tax assets primarily involves management judgement and estimations regarding the taxable profits of the entities in which the losses arose. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

Impairment loss for trade and other receivables

The Group estimates impairment losses of trade and other receivables resulting from the inability of the customers and other debtors to make the required payments in accordance with accounting policy stated in Note 5.5(ii). The Group bases the estimates on the ageing of the receivable balances, debtors' creditworthiness and historical write-off experience. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

Impairment loss for non-financial assets

The Group assesses at the end of each of the Relevant Periods whether non-financial assets suffered any impairment in accordance with accounting policy stated in Note 5.9. The non-financial assets are reviewed for the impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The determination of recoverable amount requires an estimation of future cash flows and the selection of appropriate discount rates. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods, where applicable.

Provision for litigation

During the Track Record Periods and up to the date of this report, a subsidiary of the Group has been facing litigations with a customer in respect of breach of contract and patent infringement claim. The final outcomes of these litigations are not yet concluded as at the date of issuance of the combined financial statements. After taking legal advice, in the opinion of the directors, the results of the litigations are favourable to the subsidiary of the Group and therefore, no provision for claims in respect of the litigations was made by the Group.

However, if the final outcomes of these litigations are not favourable to the subsidiary of the Group, the claims will be recognised in the profit or loss and will have an impact on the financial performance of the Group.

Details of the litigations are set out in Note 37 and "Business — Legal proceedings and compliance" in the Prospectus.

7. Segment information

The Group's chief operating decision maker, for the purpose of resources allocation and performance assessment, have identified the following reportable operating segments:

- Trading of construction machinery and spare parts
- Leasing of construction machinery
- Provision of transportation services

Each of these operating segments is managed separately as each of them requires different business strategies.

The segment information provided to the executive directors for the reportable segments during the Relevant Periods is as follows:

Segment revenue and results

	Trading of construction machinery and spare parts <i>HK\$'000</i>	Rental of construction machinery <i>HK\$'000</i>	Provision of transportation services <i>HK\$'000</i>	Inter-segment elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2013					
Revenue (from external customers)					
Reportable segment revenue	<u>40,580</u>	<u>197,335</u>	<u>5,033</u>	<u>—</u>	<u>242,948</u>
Reportable segment profit	<u>4,122</u>	<u>36,830</u>	<u>1,558</u>	<u>—</u>	<u>42,510</u>
Other reportable segment information:					
Interest expenses	(299)	(5,164)	(95)	—	(5,558)
Depreciation of property, plant and equipment	—	(29,613)	(533)	—	(30,146)
Impairment loss of trade receivables	—	(12,099)	—	—	(12,099)
Gain on disposal of property, plant and equipment, net	—	—	636	—	636
Income tax expense	<u>(682)</u>	<u>(5,614)</u>	<u>(257)</u>	<u>—</u>	<u>(6,553)</u>
Year ended 31 March 2014					
Revenue					
From external customers	117,037	196,526	3,247	—	316,810
From inter segment	<u>9,284</u>	<u>—</u>	<u>—</u>	<u>(9,284)</u>	<u>—</u>
Reportable segment revenue	<u>126,321</u>	<u>196,526</u>	<u>3,247</u>	<u>(9,284)</u>	<u>316,810</u>
Reportable segment profit	<u>12,163</u>	<u>40,382</u>	<u>377</u>	<u>(442)</u>	<u>52,480</u>
Other reportable segment information:					
Interest expenses	(302)	(4,804)	(56)	—	(5,162)
Depreciation of property, plant and equipment	(1)	(33,989)	(365)	—	(34,355)
Gain on disposal of property, plant and equipment, net	—	—	80	—	80
Income tax expense	<u>(1,997)</u>	<u>(6,494)</u>	<u>(86)</u>	<u>—</u>	<u>(8,577)</u>
Year ended 31 March 2015					
Revenue (from external customers)					
Reportable segment revenue	<u>191,425</u>	<u>174,749</u>	<u>2,768</u>	<u>—</u>	<u>368,942</u>
Reportable segment profit	<u>26,755</u>	<u>18,595</u>	<u>112</u>	<u>—</u>	<u>45,462</u>
Other reportable segment information:					
Finance lease interest income	628	—	—	—	628
Interest expenses	(450)	(3,736)	(21)	—	(4,207)
Depreciation of property, plant and equipment	(2)	(35,159)	(221)	—	(35,382)
Gain on disposal and write-off of property, plant and equipment, net	—	(62)	173	—	111
Income tax (expense)/credit	<u>(4,290)</u>	<u>(3,640)</u>	<u>5</u>	<u>—</u>	<u>(7,925)</u>

	Trading of construction machinery and spare parts <i>HK\$'000</i>	Rental of construction machinery <i>HK\$'000</i>	Provision of transportation services <i>HK\$'000</i>	Inter-segment elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Five months ended 31 August 2014					
(unaudited)					
Revenue (from external customers)					
Reportable segment revenue	<u>73,469</u>	<u>88,000</u>	<u>1,230</u>	<u>—</u>	<u>162,699</u>
Reportable segment profit/(loss)	<u>12,398</u>	<u>18,328</u>	<u>(153)</u>	<u>—</u>	<u>30,573</u>
Other reportable segment information:					
Finance lease interest income	202	—	—	—	202
Interest expenses	(236)	(1,643)	(19)	—	(1,898)
Depreciation of property, plant and equipment	(1)	(14,570)	(120)	—	(14,691)
Gain on disposal and write-off of property, plant and equipment, net	—	—	91	—	91
Income tax expense	<u>(2,092)</u>	<u>(3,822)</u>	<u>(2)</u>	<u>—</u>	<u>(5,916)</u>
Five months ended 31 August 2015					
Revenue (from external customers)					
Reportable segment revenue	<u>91,242</u>	<u>47,809</u>	<u>1,033</u>	<u>—</u>	<u>140,084</u>
Reportable segment profit/(loss)	<u>12,778</u>	<u>(3,066)</u>	<u>(580)</u>	<u>—</u>	<u>9,132</u>
Other reportable segment information:					
Finance lease interest income	274	—	—	—	274
Interest expenses	(159)	(1,199)	(38)	—	(1,396)
Depreciation of property, plant and equipment	(1)	(14,908)	(208)	—	(15,117)
Gain on disposal and write-off of property, plant and equipment, net	—	—	57	—	57
Income tax (expense)/credit	<u>(2,026)</u>	<u>585</u>	<u>96</u>	<u>—</u>	<u>(1,345)</u>

The revenue from external parties reported to the Group's senior management is measured in a manner consistent with that in the combined statement of comprehensive income.

Reconciliations of operating segment profit or loss are provided as follows:

	Year ended 31 March			Five months ended	
	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	31 August 2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Reportable segment profit	42,510	52,480	45,462	30,573	9,132
Interest income from bank deposits and amounts due from related companies	631	—	3	—	9
Gain on disposal of an investment property	—	—	1,999	—	—
Listing expenses	—	—	(8,352)	(3,141)	(1,242)
Unallocated corporate expenses	(1,832)	(2,930)	(5,146)	(1,770)	(2,186)
Unallocated finance costs	<u>(2,197)</u>	<u>(2,624)</u>	<u>(2,630)</u>	<u>(1,028)</u>	<u>(1,250)</u>
Profit before income tax expense	<u>39,112</u>	<u>46,926</u>	<u>31,336</u>	<u>24,634</u>	<u>4,463</u>

Since all of the Group's revenue was generated in Hong Kong and all of the Group's identifiable assets and liabilities were located in Hong Kong, no geographical information is presented.

The Group's customer base is diversified and includes only the following customers with whom transactions have exceeded 10% of the Group's revenue. During each of the Relevant Periods, revenue derived from these customers are as follows:

	Year ended 31 March			Five months ended 31 August	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Customer A	35,867	31,744	—*	—*	—*
Customer B	41,588	—*	—*	—*	—*
Customer C	—*	—*	—*	—*	18,899

* less than 10% of the Group's revenue

Segment assets and liabilities

Information reported to directors of the Company for the purposes of resources allocation and performance assessment does not include any assets and liabilities. Accordingly, no segment assets and liabilities are presented.

8. Revenue and other income and gains

The Group's principal activities are trading of construction machinery and spare parts, rental of construction machinery and provision of transportation services.

Revenue from the Group's principal activities during the Relevant Periods is as follows:

	Year ended 31 March			Five months ended 31 August	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Sale of machinery and spare parts	28,148	109,445	176,958	61,902	85,379
Sale of rental machinery	12,432	7,592	14,467	11,567	5,863
Rental income from leasing of machinery	122,010	129,058	111,406	55,897	32,869
Rental income from sub-leasing of machinery	66,058	61,367	57,432	28,774	12,795
Transportation service income	5,033	3,247	2,768	1,230	1,033
Other service income	9,267	6,101	5,911	3,329	2,145
Total	242,948	316,810	368,942	162,699	140,084
Other income and gains:					
Interest income from bank deposits and amounts due from related companies	631	—	3	—	9
Finance lease interest income	—	—	628	202	274
Gain on disposal and write-off of property, plant and equipment, net	636	80	111	91	57
Gain on disposal of an investment property	—	—	1,999	—	—
Rental income from leasing a warehouse property and a motor vehicle	2,313	2,019	1,122	379	230
Government allowance for retirement of motor vehicles	—	—	1,181	520	225
Net exchange gain	—	—	667	—	696
Others	555	748	528	222	280
Total	4,135	2,847	6,239	1,414	1,771

9. Finance costs

	Year ended 31 March			Five months ended 31 August	
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
Interest charges on financial liabilities carried at amortised cost:					
Bank borrowings wholly repayable within five years	1,387	1,207	1,481	689	830
Bank borrowings wholly repayable beyond five years	995	1,593	1,421	628	516
Finance lease payables wholly repayable within five years	4,961	4,834	3,928	1,609	1,300
Bank overdrafts	412	152	7	—	—
	<u>7,755</u>	<u>7,786</u>	<u>6,837</u>	<u>2,926</u>	<u>2,646</u>

The above analysis shows the finance costs of bank borrowings, including term loans which contain a repayment on demand clause in accordance with the scheduled repayments dates set out in the loan agreements. The interest on bank borrowings which includes a repayment on demand clause amounted to approximately HK\$2,084,000, HK\$2,498,000 and HK\$2,451,000, HK\$950,000 and HK\$1,137,000 for the years ended 31 March 2013, 2014 and 2015 and for the five months ended 31 August 2014 and 2015, respectively.

10. Profit before income tax expense

Profit before income tax expense is arrived at after charging/(crediting):

	Year ended 31 March			Five months ended 31 August	
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
Auditor's remuneration	39	235	235	81	98
Cost of inventories recognised as an expense	33,636	103,048	161,361	59,881	73,617
Depreciation of property, plant and equipment included in:					
— Cost of sales and services rendered	30,102	34,262	35,114	14,607	14,857
— Administrative expenses	562	927	1,648	619	912
Depreciation of an investment property	12	12	8	5	—
Write-down of inventories	1,735	—	—	—	—
Gain on disposal and write-off of property, plant and equipment, net	(636)	(80)	(111)	(91)	(57)
Staff costs (including directors' remuneration (<i>Note 12(a)</i>))					
— Wages, salaries and other benefits	52,039	55,464	55,021	22,646	21,657
— Contribution to defined contribution pension plans	1,691	1,694	1,730	706	728
Net foreign exchange loss/(gain)	36	713	(667)	108	(696)
Net rental income from leasing of machinery	(44,507)	(44,667)	(29,281)	(21,533)	(1,342)
Net rental income from sub-leasing of machinery	(12,046)	(8,035)	(813)	(127)	(370)
Minimum lease payments under operating leases					
— Buildings	3,350	3,868	3,691	1,318	1,178
— Machinery held for rental	39,368	32,964	38,233	19,826	8,920
	<u>39,368</u>	<u>32,964</u>	<u>38,233</u>	<u>19,826</u>	<u>8,920</u>

11. Income tax expense

The Group is subject to income tax on profits arising in or derived from Hong Kong, being its principal place of business. The income tax expense in the combined statements of comprehensive income during the Relevant Periods represents:

	Year ended 31 March			Five months ended 31 August	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current income tax					
Tax for the year	744	5,817	4,930	3,436	1,791
Under-provision in respect of prior years	2	—	100	100	—
	746	5,817	5,030	3,536	1,791
Deferred tax (<i>Note 28</i>)	5,246	1,844	1,942	1,918	(1,012)
Income tax expense	5,992	7,661	6,972	5,454	779

Pursuant to the rules and regulations of Cayman Islands, the Group is not subject to any taxation under the jurisdiction of Cayman Islands.

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits during the Relevant Periods.

A reconciliation of the income tax expense applicable to profit before income tax expense at the statutory tax rate to the income tax expense at the effective tax rate for each of the Relevant Periods is as follows:

	Year ended 31 March			Five months ended 31 August	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit before income tax expense	39,112	46,926	31,336	24,634	4,463
Tax calculated at the statutory rate of 16.5%	6,453	7,743	5,170	4,065	737
Tax effect of non-deductible expenses	160	105	1,407	467	271
Tax effect of non-taxable income	(623)	(187)	(811)	(284)	(229)
Under-provision in respect of prior years	2	—	100	100	—
Others	—	—	1,106	1,106	—
Income tax expense	5,992	7,661	6,972	5,454	779

12. Directors' remuneration and five highest paid individuals

(a) Directors' remuneration

The remuneration of the directors for the Relevant Periods was set out below:

	Fees <i>HK\$'000</i>	Salaries and benefits <i>HK\$'000</i>	Contribution to defined contribution pension plans <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2013				
Executive directors				
Mr. Tang Yiu Chi James ("Mr. James Tang")	—	117	6	123
Mr. Kwok Ho	—	—	—	—
	<u>—</u>	<u>117</u>	<u>6</u>	<u>123</u>
Year ended 31 March 2014				
Executive directors				
Mr. James Tang	—	152	7	159
Mr. Kwok Ho	—	—	—	—
	<u>—</u>	<u>152</u>	<u>7</u>	<u>159</u>
Year ended 31 March 2015				
Executive directors				
Mr. James Tang	—	163	8	171
Mr. Kwok Ho	—	280	12	292
	<u>—</u>	<u>443</u>	<u>20</u>	<u>463</u>
Five months ended 31 August 2014 (unaudited)				
Executive directors				
Mr. James Tang	—	62	3	65
Mr. Kwok Ho	—	35	2	37
	<u>—</u>	<u>97</u>	<u>5</u>	<u>102</u>
Five months ended 31 August 2015				
Executive directors				
Mr. James Tang	—	63	3	66
Mr. Kwok Ho	—	175	8	183
	<u>—</u>	<u>238</u>	<u>11</u>	<u>249</u>

During the Relevant Periods, Mr. Kwong Ping Man, Ms. Pang Yuen Shan Christina and Mr. Chu Wai Wa Fangus, who were appointed as the independent non-executive directors on 23 October 2015, did not receive any remuneration.

(b) *Five highest-paid individuals*

The five highest paid individuals of the Group are all non-directors for the Relevant Periods.

The analysis of the emoluments of the five highest-paid individuals for the Relevant Periods are set out below:

	Year ended 31 March			Five months ended 31 August	
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
Salaries and allowances	3,365	3,561	3,652	1,419	1,547
Contribution to defined contribution pension plans	<u>73</u>	<u>76</u>	<u>87</u>	<u>36</u>	<u>24</u>
	<u><u>3,438</u></u>	<u><u>3,637</u></u>	<u><u>3,739</u></u>	<u><u>1,455</u></u>	<u><u>1,571</u></u>

Their remuneration fell within the following bands:

	Year ended 31 March			Five months ended 31 August	
	2013	2014	2015	2014 (unaudited)	2015
Nil to HK\$1,000,000	<u><u>5</u></u>	<u><u>5</u></u>	<u><u>5</u></u>	<u><u>5</u></u>	<u><u>5</u></u>

During the Relevant Periods, no director or any of the highest-paid individuals waived or agreed to waive any emoluments. No emoluments were paid by the Group to the directors or any of the highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

13. Dividends

No dividend has been paid or declared by the Company since the date of incorporation.

During the five months ended 31 August 2015, final dividends of HK\$62,000,000 were declared by Chim Kee Company, Limited to its then shareholders.

The rates of dividends and the number of shares ranking for dividends are not presented as the inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the presentation of the results for the Relevant Periods on a combined basis as described in Note 2(b) above.

14. Earnings per share

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the presentation of the results for the Relevant Periods on a combined basis as described in Note 2(b) above.

15. Property, plant and equipment

Group

	Leasehold land and building HK\$'000	Leasehold improvements HK\$'000	Machinery HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At 1 April 2012						
Cost	1,200	—	284,371	685	13,964	300,220
Accumulated depreciation	(482)	—	(91,372)	(575)	(12,169)	(104,598)
Net carrying amount	<u>718</u>	<u>—</u>	<u>192,999</u>	<u>110</u>	<u>1,795</u>	<u>195,622</u>
Year ended 31 March 2013						
Opening net carrying amount	718	—	192,999	110	1,795	195,622
Additions	—	—	89,498	29	1,987	91,514
Disposals	—	—	—	—	(10)	(10)
Depreciation	(20)	—	(29,580)	(27)	(1,037)	(30,664)
Reclassification to inventories	—	—	(7,856)	—	—	(7,856)
Closing net carrying amount	<u>698</u>	<u>—</u>	<u>245,061</u>	<u>112</u>	<u>2,735</u>	<u>248,606</u>
At 31 March 2013 and at 1 April 2013						
Cost	1,200	—	359,821	714	14,166	375,901
Accumulated depreciation	(502)	—	(114,760)	(602)	(11,431)	(127,295)
Net carrying amount	<u>698</u>	<u>—</u>	<u>245,061</u>	<u>112</u>	<u>2,735</u>	<u>248,606</u>
Year ended 31 March 2014						
Opening net carrying amount	698	—	245,061	112	2,735	248,606
Additions	—	—	38,689	53	2,389	41,131
Disposals	—	—	—	—	(166)	(166)
Depreciation	(20)	—	(33,910)	(59)	(1,200)	(35,189)
Reclassification to inventories	—	—	(4,975)	—	—	(4,975)
Closing net carrying amount	<u>678</u>	<u>—</u>	<u>244,865</u>	<u>106</u>	<u>3,758</u>	<u>249,407</u>
At 31 March 2014 and at 1 April 2014						
Cost	1,200	—	389,487	767	15,734	407,188
Accumulated depreciation	(522)	—	(144,622)	(661)	(11,976)	(157,781)
Net carrying amount	<u>678</u>	<u>—</u>	<u>244,865</u>	<u>106</u>	<u>3,758</u>	<u>249,407</u>
Year ended 31 March 2015						
Opening net carrying amount	678	—	244,865	106	3,758	249,407
Additions	—	1,958	44,029	336	2,740	49,063
Disposals and write-off	—	—	(62)	—	(129)	(191)
Depreciation	(20)	(149)	(34,926)	(54)	(1,613)	(36,762)
Reclassification to inventories	—	—	(27,133)	—	—	(27,133)
Closing net carrying amount	<u>658</u>	<u>1,809</u>	<u>226,773</u>	<u>388</u>	<u>4,756</u>	<u>234,384</u>
At 31 March 2015 and at 1 April 2015						
Cost	1,200	1,958	395,658	1,075	16,406	416,297
Accumulated depreciation	(542)	(149)	(168,885)	(687)	(11,650)	(181,913)
Net carrying amount	<u>658</u>	<u>1,809</u>	<u>226,773</u>	<u>388</u>	<u>4,756</u>	<u>234,384</u>

	Leasehold land and building HK\$'000	Leasehold improvements HK\$'000	Machinery HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Five months ended 31 August 2015						
Opening net carrying amount	658	1,809	226,773	388	4,756	234,384
Additions	—	161	3,275	57	283	3,776
Depreciation	(9)	(216)	(14,721)	(45)	(778)	(15,769)
Reclassification to inventories	—	—	(6,177)	—	—	(6,177)
	<u>649</u>	<u>1,754</u>	<u>209,150</u>	<u>400</u>	<u>4,261</u>	<u>216,214</u>
At 31 August 2015						
Cost	1,200	2,119	385,384	1,132	16,689	406,524
Accumulated depreciation	<u>(551)</u>	<u>(365)</u>	<u>(176,234)</u>	<u>(732)</u>	<u>(12,428)</u>	<u>(190,310)</u>
Net carrying amount	<u>649</u>	<u>1,754</u>	<u>209,150</u>	<u>400</u>	<u>4,261</u>	<u>216,214</u>

The net carrying amount of property, plant and equipment includes the following assets held under finance leases (Note 27):

	As at 31 March			As at 31 August 2015
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	HK\$'000
Machinery	202,260	196,340	176,881	161,620
Motor vehicles	<u>2,223</u>	<u>3,369</u>	<u>4,522</u>	<u>3,464</u>
	<u>204,483</u>	<u>199,709</u>	<u>181,403</u>	<u>165,084</u>

At 31 March 2013, 2014 and 2015 and 31 August 2015, the leasehold land and building was pledged for the Group's bank borrowings (Note 26).

16. Investment property

	Group HK\$'000				
Net carrying amount:					
At 1 April 2012	737				
Depreciation	<u>(12)</u>				
At 31 March 2013 and at 1 April 2013	725				
Depreciation	<u>(12)</u>				
At 31 March 2014 and at 1 April 2014	713				
Depreciation	(8)				
Disposal	<u>(705)</u>				
At 31 March 2015	<u>—</u>				
	At 1 April 2012 HK\$'000	At 31 March 2013 HK\$'000	At 31 March 2014 HK\$'000	At 31 March 2015 HK\$'000	At 31 August 2015 HK\$'000
Cost	1,000	1,000	1,000	—	—
Accumulated depreciation	<u>(263)</u>	<u>(275)</u>	<u>(287)</u>	<u>—</u>	<u>—</u>
Net carrying amount	<u>737</u>	<u>725</u>	<u>713</u>	<u>—</u>	<u>—</u>

At 31 March 2013 and 2014, the investment property was pledged for the Group's bank borrowings (Note 26).

The investment property is situated in Hong Kong and held under a lease of over 50 years. No rental income was generated from the investment property during the Relevant Periods.

Direct operating expenses arising from investment property amounted to approximately HK\$4,000, HK\$4,000, and HK\$3,000 and HK\$1,700 for the years ended 31 March 2013, 2014 and 2015 and the five months ended 31 August 2014, respectively.

The fair value of the investment property estimated based on an open market value basis by an independent valuer, Asset Appraisal Limited, were approximately HK\$3,440,000 and HK\$3,570,000 as at 31 March 2013 and 2014, respectively. The valuation was mainly arrived at by reference to comparable market transactions and falls into level 2 of the fair value hierarchy. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as floor level. The most significant input into the valuation approach is price per square foot.

On 11 December 2014, the Group disposed of its investment property to Profit Principle Limited, a related company, for a cash consideration of HK\$2,800,000. This disposal resulted in a gain of approximately HK\$1,999,000 (Note 8).

17. Inventories

Group

	As at 31 March			As at
	2013	2014	2015	31 August
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
Machinery	—	3,518	180	4,837
Spare parts	510	861	707	743
	<u>510</u>	<u>4,379</u>	<u>887</u>	<u>5,580</u>

18. Trade receivables

Group

	As at 31 March			As at
	2013	2014	2015	31 August
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
Trade receivables, gross	92,470	78,729	83,882	63,110
Less: Provision for impairment	(12,099)	(12,099)	(12,099)	(12,099)
Trade receivables, net	<u>80,371</u>	<u>66,630</u>	<u>71,783</u>	<u>51,011</u>

The credit period ranges from approximately 0 to 90 days.

(a) Ageing analysis

An ageing analysis of the Group's trade receivables as at the end of each of the Relevant Periods, net of impairment, and based on invoice date, is as follows:

	As at 31 March			As at
	2013	2014	2015	31 August
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
Within 1 month	24,726	16,263	24,966	19,389
More than 1 month but not more than 3 months	39,288	30,502	29,589	15,863
More than 3 months but not more than 6 months	5,565	10,975	3,090	5,739
More than 6 months but not more than a year	5,546	7,302	11,255	4,645
More than a year	5,246	1,588	2,883	5,375
	<u>80,371</u>	<u>66,630</u>	<u>71,783</u>	<u>51,011</u>

(b) Impairment of trade receivables

At the end of each of the Relevant Periods, the Group reviews receivables for evidence of impairment on both an individual and collective basis. Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. The movement in the allowance for impairment of trade receivables during each reporting period is as follows:

	Year ended 31 March			Five months
	2013	2014	2015	ended
	HK\$'000	HK\$'000	HK\$'000	31 August
				2015
				HK\$'000
At beginning of the year/period	—	12,099	12,099	12,099
Impairment loss recognised	<u>12,099</u>	<u>—</u>	<u>—</u>	<u>—</u>
At end of the year/period	<u>12,099</u>	<u>12,099</u>	<u>12,099</u>	<u>12,099</u>

At 31 March 2013, 2014 and 2015 and 31 August 2015, the Group had determined HK\$12,099,000 of trade receivables as individually impaired. Based on this assessment, HK\$12,099,000 of impairment loss was provided for the year ended 31 March 2013. The impaired trade receivables are due from a customer that was in default and in dispute with the Group (Note 37).

The Group did not hold any collateral as security or other credit enhancements over the impaired trade receivables.

An ageing analysis of the Group's trade receivables as at the end of each of the Relevant Periods that are not impaired is as follows:

	As at 31 March			As at
	2013	2014	2015	31 August
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
Neither past due nor impaired	24,726	16,263	27,417	14,686
Not more than 3 months past due	41,365	31,469	27,711	23,241
3 to 6 months past due	4,244	11,740	4,250	4,788
More than 6 months but less than 12 months past due	4,990	6,212	9,748	3,369
Over a year due	<u>5,046</u>	<u>946</u>	<u>2,657</u>	<u>4,927</u>
	<u>80,371</u>	<u>66,630</u>	<u>71,783</u>	<u>51,011</u>

Trade receivables that were neither past due nor impaired relate to certain customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to 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. The Group does not hold any collateral over these balances.

19. Prepayments, deposits and other receivables

	Group			Company		
	As at 31 March			As at 31 August 2015	As at 31 March 2015	As at 31 August 2015
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2015 HK\$'000	2015 HK\$'000	2015 HK\$'000
Prepayments	815	1,242	3,858	6,748	2,427	2,702
Deposits	19,169	9,829	7,986	12,660	—	—
Other receivables	718	657	1,082	913	—	—
	<u>20,702</u>	<u>11,728</u>	<u>12,926</u>	<u>20,321</u>	<u>2,427</u>	<u>2,702</u>

The balances of other receivables are unsecured, interest-free and with no fixed repayment terms. The Group's other receivables were neither past due nor impaired as at 31 March 2013, 2014 and 2015 and 31 August 2015.

20. Finance lease receivables

Certain machineries have been leased out through finance leases entered into by the Group. These leases have a lease period of 3.5 years to 5 years from the dates of inception.

	As at 31 March			As at 31 August 2015
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2015 HK\$'000
Total minimum lease payments receivable:				
Not later than one year	—	—	4,607	4,607
Later than one year and not later than five years	—	—	10,007	8,087
	—	—	14,614	12,694
Unearned finance income	—	—	(1,184)	(909)
Present value of finance lease receivables	—	—	13,430	11,785
Present value of minimum lease payments receivable:				
Not later than one year	—	—	4,010	4,100
Later than one year and not later than five years	—	—	9,420	7,685
	—	—	13,430	11,785
Less: Portion classified as current assets	—	—	(4,010)	(4,100)
Non-current portion	—	—	9,420	7,685

Finance lease receivables bear interest at fixed interest rates. The effective interest rate of finance lease receivables is set out in Note 35(c).

21. Pledged bank deposits/cash and cash equivalents**Group**

	As at 31 March			As at
	2013	2014	2015	31 August
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
Cash and bank balances	9,263	28,357	53,152	49,657
Short-term time deposits	—	—	4,550	4,560
Less: Pledged bank deposits	—	—	(4,550)	(4,560)
	<u>9,263</u>	<u>28,357</u>	<u>53,152</u>	<u>49,657</u>
Cash and cash equivalents	<u>9,263</u>	<u>28,357</u>	<u>53,152</u>	<u>49,657</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods between one day to three months and earn interest at the respective short-term deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

At 31 March 2015 and 31 August 2015, the short-term time deposits were pledged for the Group's bank borrowings (Note 26).

22. Trade payables**Group**

	As at 31 March			As at
	2013	2014	2015	31 August
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
Trade payables	<u>7,998</u>	<u>10,961</u>	<u>18,765</u>	<u>8,092</u>

The credit period ranges from approximately 0 to 45 days.

An ageing analysis of the Group's trade payables as at the end of each of the Relevant Periods, based on invoice date, is as follows:

	As at 31 March			As at
	2013	2014	2015	31 August
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
Within 1 month	3,054	5,521	10,769	2,489
More than 1 month but not more than 2 months	1,893	2,116	3,443	1,389
More than 2 months but not more than 6 months	1,642	1,116	944	2,880
More than 6 months but not more than a year	354	—	997	890
Over a year	<u>1,055</u>	<u>2,208</u>	<u>2,612</u>	<u>444</u>
	<u>7,998</u>	<u>10,961</u>	<u>18,765</u>	<u>8,092</u>

23. Accruals, deposits received and other payables

	Group			Company		
	As at 31 March			As at	As at	As at
	2013	2014	2015	31 August	31 March	31 August
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accruals	4,101	4,373	4,781	4,535	284	284
Deposits received	14,323	7,643	9,560	9,850	—	—
Other payables	238	729	758	517	—	—
	<u>18,662</u>	<u>12,745</u>	<u>15,099</u>	<u>14,902</u>	<u>284</u>	<u>284</u>

24. Amounts due from/(to) related parties

Group

Details of amounts due from related parties are as follows:

	Maximum amount outstanding during the		Maximum amount outstanding during the		Maximum amount outstanding during the		Maximum amount outstanding during the		As at 31 August 2015
	As at 1 April 2012	As at 31 March 2013	As at 31 March 2013	As at 31 March 2014	As at 31 March 2014	As at 31 March 2015	As at 31 March 2015	As at 31 August 2015	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Related companies									
CHIM K SOCIEDADE UNIPessoal, LDA. (Note (a))	15,150	15,150	6,634	7,686	7,686	12,235	4,052	4,052	—
Chim Kee Crane Company Limited (Note (b))	—	5	5	5	5	5	5	5	—
Chim Kee Group Limited (Note (c))	—	5	5	5	5	5	—	—	—
L B Machinery Co., Limited (Note (d))	5,886	5,886	3,447	3,535	3,535	4,081	—*	—*	—*
Link Bright Consultants Limited (Note (e))	5,214	6,276	6,276	9,862	9,862	9,862	3	9	7
Minji Machinery Limited (Note (f))	3,050	3,050	1,268	1,268	—	—	—*	—*	—*
Profit Principle Limited (Note (g))	2,940	2,940	2,940	2,940	2,940	2,940	—	—	—
Robinson — Chim Kee Joint Venture Limited (Note (h))	6,322	6,534	6,534	6,534	6,429	6,462	6,442	6,442	—
	<u>38,562</u>	<u>39,846</u>	<u>27,109</u>	<u>31,835</u>	<u>30,462</u>	<u>35,590</u>	<u>10,502</u>	<u>70,070</u>	<u>7</u>
Shareholder									
Mr. Tang Kan	—	1,200	1,200	16,200	16,200	57,980	57,980	57,980	—

* No longer a related party since 3 October 2014

The amounts due from related parties are unsecured and with no fixed repayment terms. The balances with CHIM K SOCIEDADE UNIPessoal, LDA., L B Machinery Co., Limited, Link Bright Consultants Limited and Robinson — Chim Kee Joint Venture Limited as at 31 March 2013 were interest-bearing at 3% per annum. The balance with Minji Machinery Limited as at 31 March 2013 was interest-bearing at 8% per annum. All other balances are interest-free as at 31 March 2013, 2014 and 2015 and 31 August 2015.

Breakdowns of amounts due to related parties are disclosed as follows:

Related Companies

	Group			Company		
	As at 31 March			As at	As at	As at
	2013	2014	2015	31 August	31 March	31 August
	HK\$'000	HK\$'000	HK\$'000	2015	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Chim Kee Group Limited (<i>Note (c)</i>)	—	—	3,953	—	6,957	—
King Era Industrial Limited (<i>Note (i)</i>)	347	386	—*	—*	—*	—*
Minji Machinery Limited (<i>Note (f)</i>)	—	275	—*	—*	—*	—*
Profit Principle Limited (<i>Note (g)</i>)	—	—	12	—	—	—
	<u>347</u>	<u>661</u>	<u>3,965</u>	<u>—</u>	<u>6,957</u>	<u>—</u>

* No longer a related party since 3 October 2014

Notes:

- (a) Mr. James Tang, being the sole director and sole shareholder of CHIM K SOCIEDADE UNIPessoal, LDA., is also a director and a shareholder of the Company.
- (b) Mr. James Tang, being the sole director and sole shareholder of Chim Kee Crane Company Limited, is also a director and a shareholder of the Company.
- (c) Mr. James Tang, being the sole director and sole shareholder of Chim Kee Group Limited, is also a director and a shareholder of the Company.
- (d) Mr. James Tang, being a director and a shareholder of L B Machinery Co., Limited, is also a director and a shareholder of the Company. He has disposed of his interests in L B Machinery Co., Limited and resigned as its director since 3 October 2014.
- (e) Mr. James Tang, being the sole director and sole shareholder of Link Bright Consultants Limited, is also a director and a shareholder of the Company.
- (f) Mr. James Tang, being a director and a shareholder of Minji Machinery Limited, is also a director and a shareholder of the Company. He has disposed of his interests in Minji Machinery Limited and resigned as its director since 3 October 2014.
- (g) Mr. James Tang, being a director and a shareholder of Profit Principle Limited, is also a director and a shareholder of the Company.
- (h) Mr. James Tang, being a director and a shareholder of Robinson — Chim Kee Joint Venture Limited, is also a director and a shareholder of the Company.
- (i) Mr. James Tang, being a director and a shareholder of King Era Industrial Limited, is also a director and a shareholder of the Company. He has disposed of his interests in King Era Industrial Limited and resigned as its director since 3 October 2014.

Company

The amount due to a subsidiary of the Company is unsecured, interest-free and repayable on demand.

25. Amount due from/(to) a director**Group**

Details of amount due from a director are as follows:

	Maximum amount outstanding during the		Maximum amount outstanding during the		Maximum amount outstanding during the		Maximum amount outstanding during the		
	As at	year ended	As at	year ended	As at	year ended	As at	ended 31	
	1 April	31 March	31 March	31 March	31 March	31 March	31 March	August	
	2012	2013	2013	2014	2014	2015	2015	2015	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Mr. James Tang	<u>1,193</u>	<u>3,745</u>	<u>3,745</u>	<u>12,721</u>	<u>12,721</u>	<u>12,721</u>	<u>1,125</u>	<u>1,582</u>	<u>402</u>

Company

Amount due to a director is disclosed as follows:

	As at	As at
	31 March	31 August
	2015	2015
	HK\$'000	HK\$'000
Mr. James Tang	<u>3,631</u>	<u>10,592</u>

The above balances with a director are unsecured, interest-free and repayable on demand.

26. Borrowings and bank overdrafts**Group**

	As at 31 March			As at
	2013	2014	2015	31 August
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
Current:				
Secured interest-bearing bank loans:				
Repayable on demand or within one year	7,738	32,983	39,226	30,627
Repayable after one year which contain a repayable on demand clause	<u>26,422</u>	<u>34,058</u>	<u>42,658</u>	<u>36,893</u>
Total borrowings	<u>34,160</u>	<u>67,041</u>	<u>81,884</u>	<u>67,520</u>

Bank overdrafts repayable within one year amounted to HK\$19,531,000, HK\$Nil, HK\$Nil and HK\$Nil as at 31 March 2013, 2014 and 2015 and 31 August 2015 respectively.

Analysis based on scheduled repayment terms set out in the loan agreements, into:

	As at 31 March			As at
	2013	2014	2015	31 August
	HK\$'000	HK\$'000	HK\$'000	2015
On demand or within one year	7,738	32,983	39,226	30,627
More than one year, but not exceeding two years	6,940	12,911	14,018	12,088
More than two years, but not exceeding five years	15,837	16,190	15,615	19,715
More than five years	<u>3,645</u>	<u>4,957</u>	<u>13,025</u>	<u>5,090</u>
Total borrowings	<u>34,160</u>	<u>67,041</u>	<u>81,884</u>	<u>67,520</u>

Borrowings and bank overdrafts bear interest at floating interest rates. The effective interest rates of borrowings and bank overdrafts as at the end of each of the Relevant Periods are set out in Note 35(c).

As at 31 March 2013, 2014 and 2015 and 31 August 2015, the Group's bank overdrafts facilities amounted to HK\$28,000,000, HK\$28,000,000 and HK\$28,000,000 and HK\$28,000,000 respectively, of which HK\$19,531,000, HK\$Nil, HK\$Nil and HK\$Nil had been utilised respectively.

The unutilised banking facilities, including bank loans, bank overdrafts and other banking facilities as at 31 August 2015 amounted to approximately HK\$98,600,000. The bank loans, finance lease payables, bank overdrafts and other banking facilities are secured by:

- (a) Pledge of leasehold land and building (Note 15) held by the Group as at 31 March 2013, 2014 and 2015 and 31 August 2015;
- (b) Pledge of investment property (Note 16) held by the Group as at 31 March 2013 and 2014;
- (c) Pledge of bank deposits amounting to HK\$4,550,000 and HK\$4,560,000 (Note 21) held by the Group as at 31 March 2015 and 31 August 2015, respectively;
- (d) Pledge of bank deposits amounting to HK\$2,000,000 and HK\$5,082,000 held by Mr. James Tang and a shareholder of the Company, Mr. Tang Kan, respectively, as at 31 March 2013, 2014 and 2015 and 31 August 2015;
- (e) Pledge of leasehold land and buildings held by Mr. Tang Kan;
- (f) Personal guarantees executed by Mr. James Tang, Mr. Tang Kan, a director of a subsidiary, Mr. Tang Yiu Chung Andrew and a shareholder of the Company, Mr. Tang Yiu Wai Stephen; and
- (g) Guarantees to the extent of approximately HK\$17,200,000, HK\$10,800,000 and HK\$6,000,000 and HK\$6,000,000 as at 31 March 2013, 2014 and 2015 and 31 August 2015, respectively, under The SME Loan Guarantee Scheme, The SME Financing Guarantee Scheme and The Special Loan Guarantee Scheme operated by Government of the Hong Kong Special Administrative Region.

27. Finance lease payables

Group

The Group leases certain of its motor vehicles and machinery for business use. Such assets are classified as finance leases as the rental period amounts to the estimated useful economic life of the assets concerned and often the Group has the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount. The lease terms range from 2 to 5 years. None of the leases include contingent rentals.

	As at 31 March			As at
	2013	2014	2015	31 August
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
Total minimum lease payments:				
Not later than one year	97,515	70,529	46,005	42,728
Later than one year and not later than two years	11,840	10,571	20,081	13,135
Later than two years and not later than five years	<u>13,325</u>	<u>13,266</u>	<u>12,918</u>	<u>9,219</u>
	122,680	94,366	79,004	65,082
Future finance charges on finance leases	<u>(8,705)</u>	<u>(6,006)</u>	<u>(4,461)</u>	<u>(3,328)</u>
Present value of finance lease liabilities	<u>113,975</u>	<u>88,360</u>	<u>74,543</u>	<u>61,754</u>
Present value of minimum lease payments:				
Not later than one year	90,531	66,076	42,989	40,349
Later than one year and not later than two years	10,842	9,685	19,121	12,479
Later than two years and not later than five years	<u>12,602</u>	<u>12,599</u>	<u>12,433</u>	<u>8,926</u>
	113,975	88,360	74,543	61,754
Less: Portion classified as current liabilities	<u>(90,531)</u>	<u>(66,076)</u>	<u>(42,989)</u>	<u>(40,349)</u>
Non-current portion	<u>23,444</u>	<u>22,284</u>	<u>31,554</u>	<u>21,405</u>

Finance lease payables bore interest at either fixed or variable interest rates. The effective interest rates of the Group's finance lease payables as at the end of each of the Relevant Periods were set out in Note 35(c).

Finance lease payables are effectively secured by the underlying assets as the rights to the leased assets would be reverted to the lessor in the event of default by repayment by the Group.

28. Deferred tax**Group**

The details of the deferred tax assets and liabilities recognised and movements during each of the Relevant Periods are as follows:

Deferred tax (assets)/liabilities

	Accelerated tax depreciation	Tax losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2012	23,217	(1,555)	21,662
Charged to profit or loss	<u>4,321</u>	<u>925</u>	<u>5,246</u>
At 31 March 2013 and at 1 April 2013	27,538	(630)	26,908
Charged to profit or loss	<u>1,321</u>	<u>523</u>	<u>1,844</u>
At 31 March 2014 and at 1 April 2014	28,859	(107)	28,752
Charged/(credited) to profit or loss	<u>1,952</u>	<u>(10)</u>	<u>1,942</u>
At 31 March 2015 and at 1 April 2015	30,811	(117)	30,694
Credited to profit or loss	<u>(86)</u>	<u>(926)</u>	<u>(1,012)</u>
At 31 August 2015	<u><u>30,725</u></u>	<u><u>(1,043)</u></u>	<u><u>29,682</u></u>

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to income tax levied by same taxation authority on the same taxable entity. The following amounts, determined after appropriate offsetting, are shown in the Group's combined statements of financial position.

	2013	As at 31 March		As at 31 August
	<i>HK\$'000</i>	2014	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred tax assets	(52)	—	—	(928)
Deferred tax liabilities	<u>26,960</u>	<u>28,752</u>	<u>30,694</u>	<u>30,610</u>
	<u><u>26,908</u></u>	<u><u>28,752</u></u>	<u><u>30,694</u></u>	<u><u>29,682</u></u>

29. Share capital

The Company was incorporated in the Cayman Islands on 24 September 2014 with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. On the same date, one ordinary share of HK\$0.01 was issued to Tang J F T Company Limited at nil consideration. Further details on the Company's share capital are set out in the section headed "Statutory and general information — A. Further information about our company — 2. Changes in share capital of our Company" in Appendix IV to the Prospectus.

For the purpose of this report, the share capital of the Group as at 31 March 2013, 2014 and 2015 and 31 August 2015 represented the combined share capital of the entities now comprising the Group at the end of each of the Relevant Periods.

30. Reserves**Group**

Details of the movements of the Group's reserves are as set out in the combined statements of changes in equity in Section I.

Company

	Accumulated losses HK\$'000
On incorporation	—
Loss for the period	<u>(8,554)</u>
At 31 March 2015 and at 1 April 2015	(8,554)
Loss for the period	<u>(1,322)</u>
At 31 August 2015	<u><u>(9,876)</u></u>

31. Commitments*(a) Operating lease commitments — Group as lessee*

The Group leased its warehouse property, and certain of its machinery under operating lease arrangements which were negotiated for terms ranging from 1 to 5 years.

The total future minimum lease payments under non-cancellable operating leases are due as follows:

	As at 31 March			As at 31 August
	2013	2014	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than one year	1,533	647	315	3,081
Later than one year and not later than five years	<u>1,759</u>	<u>1,123</u>	<u>84</u>	<u>1,588</u>
	<u><u>3,292</u></u>	<u><u>1,770</u></u>	<u><u>399</u></u>	<u><u>4,669</u></u>

(b) Operating lease commitments — Group as lessor

The Group sub-leased vacant space of its leased warehouse and leased and sub-leased its owned and leased machineries under operating lease agreements.

The minimum rent receivables under non-cancellable operating leases are as follows:

	As at 31 March			As at 31 August
	2013	2014	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than one year	5,284	8,801	2,794	2,388
Later than one year and not later than five years	<u>2,345</u>	<u>1,337</u>	<u>—</u>	<u>—</u>
	<u><u>7,629</u></u>	<u><u>10,138</u></u>	<u><u>2,794</u></u>	<u><u>2,388</u></u>

(c) Capital commitments — Group

	As at 31 March			As at
	2013	2014	2015	31 August
	HK\$'000	HK\$'000	HK\$'000	2015
Property, plant and equipment — contracted for but not provided	—	11,268	66	—

Company

At 31 March 2015 and 31 August 2015, the Company did not have any significant operating lease or capital commitments.

32. Related party transactions

(a) Related party transactions

Save as disclosed elsewhere in the Financial Information, the Group had the following material transactions with related parties during the Relevant Periods:

	Year ended 31 March			Five months ended	
	2013	2014	2015	31 August	
	HK\$'000	HK\$'000	HK\$'000	2014	2015
CHIM K SOCIEDADE UNIPessoAL, LDA.					
Machinery sub-lease income (<i>Notes (a) and (b)</i>)	3,355	4,583	8,050	6,835	—
Interest income (<i>Notes (a) and (c)</i>)	95	—	—	—	—

Mr. James Tang, being the sole director and sole shareholder of CHIM K SOCIEDADE UNIPessoAL, LDA., is also a director and a shareholder of the Company.

	Year ended 31 March			Five months ended	
	2013	2014	2015	31 August	
	HK\$'000	HK\$'000	HK\$'000	2014	2015
King Era Industrial Limited					
Machinery sub-lease expenses (<i>Notes (a) and (b)</i>)	4,113	474	—	—	—
Repair and maintenance expense (<i>Notes (a) and (b)</i>)	—	—	218	218	—

Mr. James Tang, being a director and a shareholder of King Era Industrial Limited, is also a director and a shareholder of the Company. He has disposed of his interests in King Era Industrial Limited and resigned as its director since 3 October 2014.

	Year ended 31 March			Five months ended 31 August	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(unaudited)					
L B Machinery Co., Limited					
Machinery sub-lease income (<i>Note (a) and (b)</i>)	—	1,614	2,561	2,371	—
Interest income (<i>Notes (a) and (c)</i>)	92	—	—	—	—
Machinery sub-lease expenses					
(<i>Note (a) and (b)</i>)	2,928	271	3,129	2,599	—
Purchases of machinery (<i>Notes (a) and (b)</i>)	—	—	5,016	5,016	—

Mr. James Tang, being a director and a shareholder of L B Machinery Co., Limited, is also a director and a shareholder of the Company. He has disposed of his interests in L B Machinery Co., Limited and resigned as its director since 3 October 2014.

	Year ended 31 March			Five months ended 31 August	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(unaudited)					
Link Bright Consultants Limited					
Interest income (<i>Notes (a) and (c)</i>)	195	—	—	—	—
Sales of machinery (<i>Notes (a) and (b)</i>)	—	4,600	—	—	—
Machinery sub-lease expenses					
(<i>Notes (a) and (b)</i>)	3,473	6,004	3,619	2,879	—
Rent and rates paid (<i>Notes (a) and (b)</i>)	1,560	2,003	1,009	648	—
Consultancy fee expenses (<i>Notes (a) and (b)</i>)	604	1,104	776	460	—
Purchases of property, plant and equipment					
(<i>Notes (a) and (b)</i>)	—	—	15,991	1,880	—
Purchases of machinery (<i>Notes (a) and (b)</i>)	—	—	480	480	—

Mr. James Tang, being the sole director and sole shareholder of Link Bright Consultants Limited, is also a director and a shareholder of the Company.

	Year ended 31 March			Five months ended 31 August	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(unaudited)					
Minji Machinery Limited					
Machinery sub-lease expenses					
(<i>Notes (a) and (b)</i>)	2,229	2,261	1,044	881	—

Mr. James Tang, being a director and a shareholder of Minji Machinery Limited, is also a director and a shareholder of the Company. He has disposed of his interests in Minji Machinery Limited and resigned as its director since 3 October 2014.

	Year ended 31 March			Five months ended 31 August	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Profit Principle Limited					
Property rental expense (<i>Notes (a) and (b)</i>)	371	420	222	105	20
Sales of investment property (<i>Notes (a) and (b)</i>)	—	—	2,800	—	—

Mr. James Tang, being a director and a shareholder of Profit Principle Limited, is also a director and a shareholder of the Company.

	Year ended 31 March			Five months ended 31 August	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Robinson — Chim Kee Joint Venture Limited					
Interest income (<i>Notes (a) and (c)</i>)	190	—	—	—	—

Mr. James Tang, being a director and a shareholder of Robinson — Chim Kee Joint Venture Limited, is also a director and a shareholder of the Company.

Notes:

- (a) The transactions were conducted in the ordinary course of the business of the Group.
- (b) The transactions were mutually agreed by both parties at a fixed sum or charged based on cost incurred.
- (c) The interest income was in respect of amounts due from related parties, the terms of which are set out in Note 24 above.

(b) *Compensation of key management personnel*

Remuneration for key management personnel of the Group, including amounts paid to the directors as disclosed in Note 12(a), is as follows:

	Year ended 31 March			Five months ended 31 August	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Salaries, allowances and benefits in kind	965	1,147	1,859	558	871
Contribution to defined contribution pension plans	45	52	82	26	39
	<u>1,010</u>	<u>1,199</u>	<u>1,941</u>	<u>584</u>	<u>910</u>

33. Major non-cash transactions

- (a) The Group entered into finance lease arrangements in respect of purchase of property, plant and equipment with a capital value at the inception of the leases of approximately HK\$52,892,000, HK\$2,231,000 and HK\$8,074,000 and HK\$366,000 during the years ended 31 March 2013, 2014 and 2015 and five months ended 31 August 2015 respectively.

- (b) Property, plant and equipment of HK\$7,856,000, HK\$4,975,000, HK\$27,133,000 and HK\$6,177,000 were reclassified to inventories held for sale during the years ended 31 March 2013, 2014 and 2015 and five months ended 31 August 2015.
- (c) During the year ended 31 March 2015, the Group disposed of its investment property to a related company at a net sale proceed of HK\$2,704,000, which comprises cash consideration of HK\$2,800,000 less the related costs of HK\$96,000. The amount was settled by offsetting with the amount due to a related company.
- (d) During the five months ended 31 August 2015, dividend payable amounting to HK\$62,000,000 was settled as to HK\$57,980,000 and HK\$4,020,000 by offsetting with amount due from a shareholder and amount due from a director respectively.

34. Summary of financial assets and financial liabilities

The carrying amounts presented in the combined statements of financial position relate to the following categories of financial assets and financial liabilities.

	Group			Company		
	As at 31 March		2015	As at	As at	As at
	2013	2014		31 August	31 March	31 August
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets						
Loans and receivables:						
Trade receivables	80,371	66,630	71,783	51,011	—	—
Other receivables and deposits	19,887	10,486	9,068	13,573	—	—
Finance lease receivables	—	—	13,430	11,785	—	—
Amounts due from related companies	27,109	30,462	10,502	7	—	—
Amount due from a shareholder	1,200	16,200	57,980	—	—	—
Amount due from a director	3,745	12,721	1,125	402	—	—
Pledged bank deposits	—	—	4,550	4,560	—	—
Cash and cash equivalents	9,263	28,357	53,152	49,657	—	—
	<u>141,575</u>	<u>164,856</u>	<u>221,590</u>	<u>130,995</u>	<u>—</u>	<u>—</u>
Financial liabilities						
Measured at amortised cost:						
Trade payables	7,998	10,961	18,765	8,092	—	—
Accruals, deposits received and other payables	18,662	12,745	15,099	14,902	284	284
Amounts due to related companies	347	661	3,965	—	6,957	—
Amount due to a subsidiary	—	—	—	—	110	1,703
Amount due to a director	—	—	—	—	3,631	10,592
Bank overdrafts	19,531	—	—	—	—	—
Borrowings	34,160	67,041	81,884	67,520	—	—
Finance lease payables	113,975	88,360	74,543	61,754	—	—
	<u>194,673</u>	<u>179,768</u>	<u>194,256</u>	<u>152,268</u>	<u>10,982</u>	<u>12,579</u>

35. Financial risk management

The Group's financial assets that derive directly from its operations are trade and other receivables, finance lease receivables, amounts due from related companies and cash and cash equivalents. Other financial assets comprise amounts due from a shareholder and a director. Principal financial liabilities of the Group include trade and other payables, amounts due to related companies, borrowings and finance lease payables. The main purpose of these financial liabilities is to finance the Group's operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk and currency risk. The Group does not enter into or trade financial instruments for speculative purposes.

The Group's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for its shareholders.

(a) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its business.

The Group continuously monitors defaults of customers and other counterparties, identifies either individually or by group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

The Group's management considers that all financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

The Group has a certain concentration of credit risk, the balance due from the Group's largest customer amounted to 23%, 15%, 17% and 5% of the total trade receivables at 31 March 2013, 2014 and 2015 and 31 August 2015, respectively. The balances due from the Group's five largest customers amounted to 68%, 53%, 47% and 8% of the total trade receivables at 31 March 2013, 2014 and 2015 and 31 August 2015, respectively.

The Group also had concentration of credit risk arising from balances due from a shareholder and a director as at 31 March 2014 and 2015 as the aggregate outstanding amounts as at 31 March 2014 and 2015 are HK\$28,921,000 and HK\$59,105,000 respectively.

At 31 August 2015, the Group provided corporate guarantees amounting to HK\$5,318,000 to the banks in respect of finance lease obligations of certain third party customers.

Under the guarantees, the Group would be liable to pay the banks if the banks are unable to recover the amounts under these finance leases. At 31 August 2015, no provision for the Group's obligation under the guarantee contracts has been made as the directors considered that it was not probable that the repayment of the finance lease obligation would be in default.

None of the financial assets of the Group are secured by collateral or other credit enhancements.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in Note 18. The credit risk for cash at bank is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

(b) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major banks and financial institutions to meet its liquidity requirements in the short and longer terms.

The liquidity policies have been followed by the Group during the Relevant Periods and are considered to have been effective in managing liquidity risks.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rates at the end of the Relevant Periods.

Group	Carrying amount	Total contractual undiscounted cash flow	Within one year or on demand	More than one year but less than two years	More than two year but less than five years
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 31 March 2013					
Trade payables	7,998	7,998	7,998	—	—
Accruals, deposits received and other payables	18,662	18,662	18,662	—	—
Amount due to a related party	347	347	347	—	—
Bank overdrafts	19,531	19,531	19,531	—	—
Borrowings	34,160	34,160	34,160	—	—
Finance lease payables	113,975	117,358	92,193	11,840	13,325
	<u>194,673</u>	<u>198,056</u>	<u>172,891</u>	<u>11,840</u>	<u>13,325</u>
At 31 March 2014					
Trade payables	10,961	10,961	10,961	—	—
Accruals, deposits received and other payables	12,745	12,745	12,745	—	—
Amounts due to related parties	661	661	661	—	—
Borrowings	67,041	67,041	67,041	—	—
Finance lease payables	88,360	91,401	67,565	10,571	13,265
	<u>179,768</u>	<u>182,809</u>	<u>158,973</u>	<u>10,571</u>	<u>13,265</u>
At 31 March 2015					
Trade payables	18,765	18,765	18,765	—	—
Accruals, deposits received and other payables	15,099	15,099	15,099	—	—
Amounts due to related parties	3,965	3,965	3,965	—	—
Borrowings	81,884	81,884	81,884	—	—
Finance lease payables	74,543	78,096	45,097	20,081	12,918
	<u>194,256</u>	<u>197,809</u>	<u>164,810</u>	<u>20,081</u>	<u>12,918</u>
At 31 August 2015					
Trade payables	8,092	8,092	8,092	—	—
Accruals, deposits received and other payables	14,902	14,902	14,902	—	—
Borrowings	67,520	67,520	67,520	—	—
Finance lease payables	61,754	64,291	41,937	13,135	9,219
	<u>152,268</u>	<u>154,805</u>	<u>132,451</u>	<u>13,135</u>	<u>9,219</u>

Borrowings with a repayment on demand clause are included in the “on demand” time band in the above maturity analysis. As at 31 March 2013, 2014 and 2015 and 31 August 2015, the aggregate undiscounted principal amounts of these loans amounted to approximately HK\$34,160,000, HK\$57,142,000 and HK\$68,057,000 and HK\$56,813,000, respectively. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the lenders will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements and the principal and interest cash outflows according to the scheduled repayment dates are set out as follows:

	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within one year or on demand HK\$'000	More than one year but less than two years HK\$'000	More than two years but less than five years HK\$'000	More than five years HK\$'000
Borrowings						
At 31 March 2013	34,160	38,385	9,172	8,039	17,389	3,785
At 31 March 2014	57,142	62,568	25,214	14,208	17,969	5,177
At 31 March 2015	68,057	74,532	27,821	15,530	17,217	13,964
At 31 August 2015	56,813	62,255	21,954	13,468	21,617	5,216

(c) **Interest rate risk**

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's pledged bank deposits and finance lease receivables bear fixed interest rates. The Group's cash at bank balances bear floating interest rates. The Group also has bank borrowings and finance lease payables which bear interests at fixed and floating interest rates. Exposure to interest rate risk exists on those balances subject to floating interest rate when there are unexpected adverse interest rate movements. The Group's policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no unduly exposures to significant interest rate movements and rates are approximately fixed when necessary.

Exposure

The following table details the interest rate profile of the Group's and the Company's financial instruments at the end of each of the Relevant Periods:

Group

	Effective interest rate per annum				Carrying amount			
	As at 31 March		As at 31 August		As at 31 March			As at 31 August
	2013	2014	2015	2015	2013	2014	2015	2015
	%	%	%	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fixed rate instruments								
Financial assets								
Pledged bank deposits	N/A	N/A	0.01–0.8	0.01–0.8	—	—	4,550	4,560
Finance lease receivables	N/A	N/A	4.55–5.94	4.55–5.94	—	—	13,430	11,785
					—	—	17,980	16,345
Financial liabilities								
Finance lease payables	3.92–9.67	3.36–9.64	3.33–9.76	2.15–9.11	19,488	26,355	30,129	44,237

	Effective interest rate per annum				Carrying amount			
	As at 31 March		As at 31 August		As at 31 March			As at 31 August
	2013	2014	2015	2015	2013	2014	2015	2015
	%	%	%	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Variable rate instruments								
Financial assets								
Cash and cash equivalents	0.0002	0.0001	0.0001–0.0078	0.0001–0.0005	9,263	28,357	53,152	49,657
Financial liabilities								
Borrowings	3–5	3–6.75	3–5	3–5	34,160	67,041	81,884	67,520
Finance lease payables	3.01–5.79	2.29–5.95	3.75–5.95	3.75–5.39	94,487	62,005	44,414	17,517
Bank overdrafts	0.01–1.13	N/A	N/A	N/A	19,531	—	—	—
					<u>148,178</u>	<u>129,046</u>	<u>126,298</u>	<u>85,037</u>
Net exposure					<u>(138,915)</u>	<u>(100,689)</u>	<u>(73,146)</u>	<u>(35,380)</u>

The policies to manage interest rate risk have been followed by the Group and the Company consistently throughout the Relevant Periods.

Sensitivity analysis

As of 31 March 2013, 2014 and 2015 and 31 August 2015, if the interest rate on the Group's outstanding balances of variable-rate bank balances, borrowings, finance lease payables and bank overdrafts had been 100 basis points higher/lower, with all other variables held constant, the Group's profit before tax for the respective year ended would have been lower/higher by HK\$1,160,000, HK\$841,000 and HK\$611,000 and HK\$295,000, respectively.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of each of the Relevant Periods and had been applied to the exposure to interest rate risk for the borrowings in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date.

The Company has no significant interest rate risks.

(d) Currency risk

Transactions in foreign currencies and the Group's risk management policies

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group mainly operates in Hong Kong with most of the transactions denominated and settled in HK\$ and Euro Dollar ("EURO"). The Group's exposure to foreign currency risk primarily arises from certain financial instruments including trade receivables, cash and cash equivalents, trade payables, deposits received and finance lease payables which are denominated in Japanese Yen ("JPY"), EURO and United States Dollar ("US\$"). During the Relevant Periods, the Group had entered into certain foreign exchange forward contracts of JPY against HK\$. The transactions were to cover purchase of construction machinery in JPY from a supplier. The Group has not adopted any hedging strategy in the long run but management continuously monitors the foreign exchange risk exposure and might enter into foreign exchange forward contract on a case-by-case basis. The Group has not used any hedging contracts to engage in speculative activities.

Foreign currency denominated financial assets and liabilities, translated into HK\$ at the prevailing closing rates at the end of the Relevant Periods, are as follows:

	Group		
	<i>JPY</i>	<i>HK\$'000</i> <i>EURO</i>	<i>US\$</i>
At 31 March 2013			
Financial assets	18,762	4,635	995
Financial liabilities	<u>(2,544)</u>	<u>(15,917)</u>	<u>(7,430)</u>
Short-term exposure	<u>16,218</u>	<u>(11,282)</u>	<u>(6,435)</u>
Financial assets	—	—	—
Financial liabilities	<u>—</u>	<u>—</u>	<u>(5,223)</u>
Long-term exposure	<u>—</u>	<u>—</u>	<u>(5,223)</u>
At 31 March 2014			
Financial assets	11,887	5,667	995
Financial liabilities	<u>(10,525)</u>	<u>(12,267)</u>	<u>(5,270)</u>
Short-term exposure	<u>1,362</u>	<u>(6,600)</u>	<u>(4,275)</u>
Financial assets	—	—	—
Financial liabilities	<u>—</u>	<u>—</u>	<u>(3,112)</u>
Long-term exposure	<u>—</u>	<u>—</u>	<u>(3,112)</u>
At 31 March 2015			
Financial assets	10,736	5,411	833
Financial liabilities	<u>(15,983)</u>	<u>(15,062)</u>	<u>(1,185)</u>
Short-term exposure	<u>(5,247)</u>	<u>(9,651)</u>	<u>(352)</u>
Financial assets	—	—	—
Financial liabilities	<u>—</u>	<u>(4,074)</u>	<u>(1,652)</u>
Long-term exposure	<u>—</u>	<u>(4,074)</u>	<u>(1,652)</u>
At 31 August 2015			
Financial assets	20,778	4,437	956
Financial liabilities	<u>(15,507)</u>	<u>(4,837)</u>	<u>(5,583)</u>
Short-term exposure	<u>5,271</u>	<u>(400)</u>	<u>(4,627)</u>
Financial assets	—	—	—
Financial liabilities	<u>—</u>	<u>(9,791)</u>	<u>(1,140)</u>
Long-term exposure	<u>—</u>	<u>(9,791)</u>	<u>(1,140)</u>

The Company does not have any exposures to foreign currency risk at the end of the Relevant Periods.

Sensitivity analysis

The following table indicates the approximate change in the Group's profit after tax (and retained earnings) and other components of combined equity in response to reasonably possible changes in the foreign exchange rates of JPY and EURO to which the Group has significant exposure at the end of the Relevant Periods.

	Increase/(decrease) in foreign exchange rates	Effect on profit after tax and retained earnings <i>HK\$'000</i>
Group		
At 31 March 2013		
JPY	8%	1,083
JPY	(8)%	(1,083)
EURO	9%	(848)
EURO	(9)%	848
At 31 March 2014		
JPY	8%	91
JPY	(8)%	(91)
EURO	9%	(496)
EURO	(9)%	496
At 31 March 2015		
JPY	8%	(351)
JPY	(8)%	351
EURO	9%	(1,031)
EURO	(9)%	1,031
At 31 August 2015		
JPY	9%	396
JPY	(9)%	(396)
EURO	9%	(766)
EURO	(9)%	766

The sensitivity analysis of the Group's exposure to foreign currency risk at the reporting date has been determined based on the assumed percentage changes in foreign exchange rates taking place at the beginning of each of the Relevant Periods and held constant throughout each of the Relevant Periods. The assumed changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next reporting date.

A reasonable change in foreign exchange rates for US\$ in the next twelve months is assessed to result in immaterial change in the Group's profit after tax, retained earnings and other components of equity.

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nevertheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk.

36. Capital management

The Group's capital management objectives include:

- (i) to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for owners and benefits for other stakeholders;
- (ii) to support the Group's stability and growth; and
- (iii) to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder's returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

The Group monitors its capital using the basis of the net debt to equity ratio. For this purpose net debt is defined as bank overdrafts, borrowings and finance lease payables less cash and cash equivalents. The Group aims to maintain the net debt to equity ratio at a reasonable level.

	As at 31 March			As at
	2013	2014	2015	31 August
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
Bank overdrafts	19,531	—	—	—
Borrowings	34,160	67,041	81,884	67,520
Finance lease payables	113,975	88,360	74,543	61,754
Less: Cash and cash equivalents	<u>(9,263)</u>	<u>(28,357)</u>	<u>(53,152)</u>	<u>(49,657)</u>
Net debt	<u>158,403</u>	<u>127,044</u>	<u>103,275</u>	<u>79,617</u>
Total equity	<u>174,812</u>	<u>214,077</u>	<u>238,441</u>	<u>180,125</u>
Net debt to equity ratio	<u>0.91</u>	<u>0.59</u>	<u>0.43</u>	<u>0.44</u>

37. Litigation

The Group commenced litigation with a customer in 2012 (the "Legal Proceeding") in respect of breach of contract. At the date of this report, no settlement had been reached by the parties and no judgement on the quantum of damages had been made against the Group in respect of the Legal Proceeding. The Group has sought legal advice from its legal counsel on the merits of the claim.

Based on the opinion from the Group's legal counsel, after considering the evidence and the background facts in relation to the Legal Proceeding, this customer's allegations and assertions are not cogent and convincing and therefore, the Group will likely to succeed in the Legal Proceeding. Accordingly, no provision for claim in respect of such litigation was made by the Group.

In the event that a liability has arisen from the Legal Proceeding, Mr. James Tang and Tang J F T Company Limited, a company owned and controlled by Mr. Tang Kan, has agreed and undertaken to indemnify the Group from and against any of such liability. In addition, Mr. James Tang has obtained an undertaking from Mr. Tang Kan on an unconditional and irrevocable basis that Mr. Tang Kan will fully support Mr. James Tang financially to the extent that Mr. James Tang could fully discharge his obligations under the indemnity in connection with the Legal Proceeding.

The Group is also facing a pending appeal lodged by this customer in relation to a patent infringement claim (the "Appeal"). The Appeal relates to a judgement entered in favour of the Group on 26 March 2014 where the Court of First Instance dismissed this former customer's allegation that the Group (together with another defendant) infringed its short term patent for a construction method for extracting building piles in the ground.

Based on the opinion from the Group's legal counsel, the Group has a reasonable prospect of success in the Appeal based on the available evidence and background facts, and it is likely that the Appeal brought by this former customer will be dismissed. Accordingly, no provision for claim in respect of such litigation was made by the Group.

38. Events after the reporting period

Subsequent to 31 August 2015 and up to the date of this report, the following significant events have taken place:

- (a) The companies now comprising the Group underwent and completed the Reorganisation on 20 October 2015 in preparation for the Listing. Further details of the Reorganisation are set out in the section headed "History, development and Reorganisation — Reorganisation" in the Prospectus.

- (b) On 23 October 2015, written resolutions were passed to effect the transactions as set out in the section headed "Statutory and general information — A. Further information about our Company — 3. Written resolutions of our Shareholders passed on 23 October 2015" in Appendix IV to the Prospectus, certain of which are disclosed as follows:
- (i) The authorised share capital of the Company was increased from HK\$380,000 to HK\$15,600,000 by the creation of additional 1,522,000,000 shares.
 - (ii) The Company's Share Option Scheme was adopted. Details of the Share Option Scheme are set out in the section headed "Statutory and general information — D. Share Option Scheme" in Appendix IV to the Prospectus.

39. Subsequent financial statements

No audited financial statements have been prepared by the Company or its subsidiaries in respect of any period subsequent to 31 August 2015. Save as disclosed in this report, no dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 August 2015.

Yours faithfully,

BDO Limited

Certified Public Accountants

Li Yin Fan

Practising Certificate Number P03113

Hong Kong

The following information does not form part of the Accountant's Report from BDO Limited, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set forth in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the "Accountant's Report" set forth in Appendix I to this prospectus.

(A) UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted combined net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules and on the basis of the notes set out below, for the purpose of illustrating the effect of the Share Offer on the combined net tangible assets of the Group attributable to the owners of the Company as if it had taken place on 31 August 2015. It has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the combined financial position of the Group attributable to the owners of the Company had the Share Offer been completed on 31 August 2015 or at any future dates.

	Audited combined net tangible assets attributable to the owners of the Company as at 31 August 2015	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted combined net tangible assets attributable to the owners of the Company	Unaudited pro forma adjusted combined net tangible assets per Share attributable to the owners of the Company
	<i>HK\$'000</i> <i>(Note 1)</i>	<i>HK\$'000</i> <i>(Note 2)</i>	<i>HK\$'000</i>	<i>HK\$</i> <i>(Note 3)</i>
Based on the Offer Price of HK\$0.32 per Share	<u>179,879</u>	<u>43,982</u>	<u>223,861</u>	<u>0.22</u>
Based on the Offer Price of HK\$0.48 per Share	<u>179,879</u>	<u>69,327</u>	<u>249,206</u>	<u>0.25</u>

Notes:

- (1) The audited combined net tangible assets attributable to the owners of the Company as at 31 August 2015 is based on the combined net assets of the Group of HK\$180,125,000 adjusted for non-controlling interests of HK\$246,000 extracted from the Accountant's Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Share Offer are based on the total of 25,000,000 Public Offer Shares and 141,744,000 New Shares, at the minimum and maximum Offer Price of HK\$0.32 and HK\$0.48 per Share, respectively, after deduction of the underwriting fees and related expenses (excluding approximately HK\$9,594,000 of listing-related expenses recognised in profit or loss prior to 31 August 2015, listing-related expenses of approximately HK\$3,355,000 or HK\$4,021,000 based on the Offer Price of HK\$0.32 or HK\$0.48 per Offer Share respectively borne by the Selling Shareholder for the sale of Sale Shares and approximately HK\$6,117,000 that the Selling Shareholder has agreed to reimburse in its capacity as shareholder of the Company) in connection with the Share Offer.

- (3) The unaudited pro forma adjusted combined net tangible assets attributable to the owners of the Company per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,000,000,000 Shares are in issue immediately following the completion of the Capitalisation Issue and the Share Offer. It does not take into account any Shares which may fall to be allotted and issued pursuant to the Offer Size Adjustment Option and the Over-allotment Option or the exercise of any options which may be granted under the Share Option Scheme, or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix IV to this prospectus or otherwise.
- (4) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 31 August 2015.

(B) ASSURANCE REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountant, BDO Limited, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Group.



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**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF CLEAR LIFT HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Clear Lift Holdings Limited (formerly known as Chim Kee 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 unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted combined net tangible assets of the Group as at 31 August 2015, and related notes as set out in Part A of Appendix II on pages II-1 to II-2 of the prospectus dated 30 November 2015 (the "Prospectus") issued by the Company (the "Unaudited Pro forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Notes 2 to 4 in Part A of Appendix II to the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed offering of shares of the Company on the Group's financial position as at 31 August 2015 as if the proposed offering had taken place at 31 August 2015. As part of this process, information about the Group's financial position as at 31 August 2015 has been extracted by the Directors from the Group's financial information for the three years ended 31 March 2015 and the five months ended 31 August 2015, on which an accountant's report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guidance 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

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 Unaudited Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or the transaction as at 31 August 2015 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

BDO Limited

Li Yin Fan

Certified Public Accountants

Practising Certificate Number P03113

Hong Kong, 30 November 2015

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 24 September 2014 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "Memorandum") and the Amended and Restated Articles of Association (the "Articles").

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and since the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 23 October 2015 and effective on the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Share certificates*

Every person whose name is entered as a member in the register of members shall be entitled to receive a certificate for his shares. No shares shall be issued to bearer.

Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, and shall be signed autographically by one Director and the Secretary, or by 2 Directors, or by some other person(s) appointed by the Board for the purpose. As regards any certificates for shares or debentures or other securities of the Company, the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical signature other than autographic or may be printed thereon as specified in such resolution or that such certificates need not be signed by any person. Every share certificate issued shall specify the number and class of shares in respect of which it is issued

and the amount paid thereon and may otherwise be in such form as the Board may from time to time prescribe. A share certificate shall relate to only one class of shares, and where the capital of the Company includes shares with different voting rights, the designation of each class of shares, other than those which carry the general right to vote at general meetings, must include the words “restricted voting” or “limited voting” or “non-voting” or some other appropriate designation which is commensurate with the rights attaching to the relevant class of shares. The Company shall not be bound to register more than 4 persons as joint holders of any share.

(b) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that upon the happening of a specified event or upon a given date and either at the option of the Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iii) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors and their close associates which are equivalent to provisions of Hong Kong law prevailing at the time of adoption of the Articles.

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(v) Disclosure of interest in contracts with the Company or with any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and, upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any Share by reason that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposal in which he or his close associate(s) is/are materially interested, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters namely:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including (i) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors, his close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; or

- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(vi) *Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree or failing agreement, equally, except that in such event any Director holding office for only a portion of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he has held office. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with other companies (being subsidiaries of the Company or with which the Company is associated in business), or may make contributions out of the Company's monies to, such schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

In addition, the Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons,

including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of such notices will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting and the minimum length of the period during which such notices to the Company may be given must be at least 7 days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to the Board or retirement therefrom.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to retirement by rotation provisions in the articles of association. The number of Directors shall not be less than two.

In addition to the foregoing, the office of a Director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office or head office of the Company for the time being or tendered at a meeting of the Board;
- (bb) if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;
- (cc) if, without special leave, he is absent from meetings of the Board for six (6) consecutive months, and the Board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles;
- (gg) if he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or
- (hh) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director or Directors and other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(viii) Borrowing powers

Pursuant to the Articles, the Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The provisions summarised above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of the Company.

(ix) Register of Directors and officers

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(x) Proceedings of the Board

Subject to the Articles, the Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed by the Company by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings shall *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Alteration of capital

The Company may, by an ordinary resolution of its members, (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

Reduction of share capital — subject to the Companies Law and to confirmation by the court, a company limited by shares may, if so authorised by its Articles of Association, by special resolution, reduce its share capital in any way.

(f) Special resolution — majority required

In accordance with the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An “ordinary resolution”, by contrast, is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 14 clear days’ notice has been given and held in accordance with the Articles. A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(g) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purpose as paid up on the share, and on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by:

- (i) at least two members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (ii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iii) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s), be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s), as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(h) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(i) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the assets and liabilities of the Company and of all other matters required by the Companies Law necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account or book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarised financial statements to shareholders who has, in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles), consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles), and must be sent to the shareholders not less than 21 days before the general meeting to those shareholders that have consented and elected to receive the summarised financial statements.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(j) Notices of meetings and business to be conducted thereat

An annual general meeting of the Company must be called by at least 21 days' notice in writing, and general meeting of the Company other than an annual general meeting shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting, and particulars of the resolution(s) to be considered at that meeting, and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in the Company's register of members or by leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available. Subject to the Companies Law and the Listing Rules, a notice or document may be served or delivered by the Company to any member by electronic means to such address as may from time to time be authorised by the member concerned or by publishing it on a website and notifying the member concerned that it has been so published.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% of the total voting rights at the meeting of all members of the Company.

All business transacted at an extraordinary general meeting shall be deemed special business and all business shall also be deemed special business where it is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of Directors in place of those retiring;
- (dd) the appointment of auditors;
- (ee) the fixing of the remuneration of the Directors and of the auditors;
- (ff) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares of the Company representing not more than 20% in nominal value of its existing issued share capital (or such other percentage as may from time to time be specified in the rules of the Stock Exchange) and the number of any securities repurchased by the Company since the granting of such mandate; and
- (gg) the granting of any mandate or authority to the Board to repurchase securities in the Company.

(k) Transfer of shares

Subject to the Companies Law, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve provided always that it shall be in such form prescribed by the Stock Exchange and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers in any case in which it in its discretion thinks fit to do so, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share option scheme upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognise any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules (as defined in the Articles), be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

(l) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all members alike.

(m) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(n) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and
- (ii) all dividends shall be apportioned and paid pro-rata in accordance with the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared on the share capital of the Company, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of the Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such address as the holder or joint holders may in writing so direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend subsequently declared or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(o) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the

member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(p) Calls on shares and forfeiture of shares

The Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and it shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(q) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. However, the members of the Company will have such rights as may be set forth in the Articles. The Articles

provide that for so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of member is closed) without charge and require the provision to him of copies or extracts thereof in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may, from time to time, think fit.

(r) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(s) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(t) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, on the shares held by them respectively.

In the event that the Company is wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(u) Untraceable members

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

In accordance with the Articles, the Company is entitled to sell any of the shares of a member who is untraceable if:

- (i) all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years;
- (ii) upon the expiry of the 12 years and 3 months period (being the 3 months notice period referred to in sub-paragraph (iii)), the Company has not during that time received any indication of the existence of the member; and
- (iii) the Company has caused an advertisement to be published in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the stock exchange of the Relevant Territory (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(v) Subscription rights reserve

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 24 September 2014 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

As an exempted company, the Company must conduct its operations mainly outside the Cayman Islands. Moreover, the Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

In accordance with the Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in Section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, the Companies Law provides that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

It is further provided by the Companies Law that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

The Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company when proposing to grant such financial assistance discharge their duties of care and acting in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. Nonetheless, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares without the manner and terms of purchase first being authorised by an ordinary resolution of the company. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Under Section 37A(1) the Companies Law, shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if (a) the memorandum and articles of association of the company do not prohibit it from holding treasury shares; (b) the relevant provisions of the memorandum and articles of association (if any) are complied with; and (c) the company is authorised in accordance with the company's articles of association or by a resolution of the directors to hold such shares in the name of the company as treasury shares prior to the purchase, redemption or surrender of such

shares. Shares held by a company pursuant to section 37A(1) of the Companies Law shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of sections 34 and 37A(7) of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see sub-paragraph 2(n) of this Appendix for further details). Section 37A(7)(c) of the Companies Law provides that for so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions thereto) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge:

- (i) an act which is *ultra vires* the company or illegal;
- (ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and
- (iii) an irregularity in the passing of a resolution the passage of which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members thereof holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report thereon.

Moreover, any member of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions in the Companies Law on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interest of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

Section 59 of the Companies Law provides that a company shall cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters with respect to which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Section 59 of the Companies Law further states that proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If the Company keeps its books of account at any place other than at its registered office or at any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) in addition, that no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of twenty years from 7 October 2014.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

The Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the Articles provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of the company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. The Companies Law contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in the

Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Winding up

A Cayman Islands company may be wound up either by (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company occurs where the Company so resolves by special resolution that it be wound up voluntarily, or, where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due; or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or where the event occurs on the occurrence of which the memorandum or articles provides that the company is to be wound up. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators shall be appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order shall take effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, there may be appointed one or more persons to be called an official liquidator or official liquidators; and the court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one persons are appointed to such office, the court

shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(p) Reconstructions

Reconstructions and amalgamations are governed by specific statutory provisions under the Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member would have the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, nonetheless the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(q) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(r) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents delivered to the Registrar of Companies in Hong Kong and available for inspection — Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 24 September 2014. Our Company has established a principal place of business in Hong Kong at 1/F Front Block, 438 Nathan Road, Yau Ma Tei, Kowloon and has been registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 15 December 2014. Mr. James Tang has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it is subject to the Cayman Islands law and to its constitution, which comprises the Memorandum and the Articles. A summary of various provisions of its constitution and relevant aspects of the Companies Law is set out in the section headed “Summary of the constitution of the Company and Cayman Islands Company Law” in Appendix III to this prospectus.

2. Changes in share capital of our Company

- (a) As at the date of incorporation, our Company had an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. 1 Share was allotted and issued nil-paid to the subscriber on 24 September 2014 and was subsequently transferred to Tang J F T on the same day.
- (b) On 23 October 2015, our Shareholders resolved to increase the authorised share capital of our Company from HK\$380,000 to HK\$15,600,000 by the creation of an additional of 1,522,000,000 Shares, each ranking pari passu with our Shares then in issue in all respects.
- (c) Immediately following completion of the Capitalisation Issue and the Share Offer (assuming that none of the Adjustment Options is exercised), and taking no account of any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, 1,000,000,000 Shares will be issued fully paid or credited as fully paid, and 560,000,000 Shares will remain unissued.
- (d) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “Written resolutions of our Shareholders passed on 23 October 2015” in this appendix and pursuant to the Share Option Scheme and the Adjustment Options, our Company does not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.
- (e) Save as disclosed in this prospectus, there has been no alteration in our Company’s share capital since its incorporation.

3. Written resolutions of our Shareholders passed on 23 October 2015

On 23 October 2015, resolutions in writing were passed by our Shareholders pursuant to which, among other things:

- (a) our Company approved and adopted the Memorandum and the Articles, the terms of which are summarised in Appendix III to this prospectus;
- (b) the authorised share capital of our Company be increased from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$15,600,000 divided into 1,560,000,000 Shares of HK\$0.01 each by the creation of an additional 1,522,000,000 Shares of HK\$0.01 each, ranking *pari passu* with the existing Shares in all respects;
- (c) conditional on the Listing Division granting listing of, and permission to deal in, our Shares in issue and Shares to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme or any of the Adjustment Options and on the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise, in each case on or before the date falling 30 days after the date of the issue of this prospectus:
 - (i) the Share Offer was approved and our Directors were authorised to allot and issue the Placing Shares pursuant to the Share Offer to rank *pari passu* with the then existing Shares in all respects;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “Share Option Scheme” below in this appendix, were approved and adopted and our Directors were authorised, subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;
 - (iii) the Adjustment Options were approved and our Directors were authorised to allot and issue our Shares as may be required to be allotted and issued upon the exercise of the Adjustment Options to rank *pari passu* with the then existing Shares in all respects;
 - (iv) conditional further on the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to capitalise an amount of HK\$7,120,000 standing to the credit of the share premium account of our Company and to appropriate such amount as to capital to pay up in full at par 712,000,000 Shares for allotment and issue to the persons whose names appear on the register of members of our Company at the close of business on 23 October 2015 in proportion (as nearly as possible without involving fractions) to their then existing shareholdings in our Company, each ranking *pari passu* in all respects

with the then existing issued Shares, and our Directors were authorised to give effect to such capitalisation and distributions and the Capitalisation Issue was approved;

- (d) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any Shares allotted and issued in lieu of the whole or part of a dividend on Shares or similar arrangement in accordance with the Articles or pursuant to a specific authority granted by our Shareholders in general meeting or pursuant to the Share Offer, Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements and options which might require the exercise of such power, with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued under any Adjustment Options or pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;
- (e) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Main Board or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued under any of the Adjustment Options or pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or

- (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting; and
- (f) the general unconditional mandate mentioned in sub-paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (e) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued under any of the Adjustment Options or pursuant to the exercise of the options which maybe granted under the Share Option Scheme.

4. Corporate Reorganisation

In preparing for the Listing, the companies comprising our Group underwent the Reorganisation to rationalise the corporate structure of our Group and our Company became the holding company of our Group. Please refer to the section headed “History, development and Reorganisation — Reorganisation” in this prospectus for further details.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the Accountant’s Report of our Company, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in the section headed “History, development and Reorganisation” in this prospectus, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

6. Repurchase of our Shares by our Company

This section contains information required by the Stock Exchange to be included in this prospectus concerning the repurchase of our Shares by our Company.

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Main Board to repurchase their securities on the Main Board subject to certain restrictions, a summary of which is set out below:

(i) Shareholders’ approval

The Listing Rules provide that all proposed repurchases of shares, which must be fully paid up in the case of shares, by a company with a primary listing on the Main Board must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions passed by our Shareholders on 23 October 2015, a general unconditional mandate (the “**Repurchase Mandate**”) was granted to our Directors authorising them to exercise all powers of our Company to repurchase on the Main Board or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued under any of the Adjustment Options pursuant to the exercise of the options which may be granted under the Share Option Scheme and the Repurchase Mandate shall remain in effect until whichever is the earliest of the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting.

(ii) Source of funds

Any repurchase by our Company must be funded out of funds legally available for the purpose in accordance with the Articles, the applicable laws of the Cayman Islands and the Listing Rules. Our Company may not repurchase its own Shares on the Main Board for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company’s share premium account before or at the time our Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) Connected parties

The Listing Rules prohibit our Company from knowingly repurchasing our Shares on the Main Board from a “connected person” (as defined in the Listing Rules), which includes a Director, chief executive or substantial shareholder of our Company or any of its subsidiaries or an associate of any of them and a connected person shall not knowingly sell Shares to our Company on the Main Board.

(b) Exercise of the Repurchase Mandate

On the basis of 1,000,000,000 Shares in issue immediately after completion of the Capitalisation Issue and the Share Offer (assuming that none of the Adjustment Options is exercised), our Directors would be authorised under the Repurchase Mandate to repurchase up to 100,000,000 Shares during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid up.

(c) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and its Shareholders for our Directors to have a general authority from Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(d) Funding of repurchases

In repurchasing our Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) General

None of our Directors or to the best of their knowledge, having made all reasonable enquiries, any of their associates (as defined in the Listing Rules) of any Director, has any present intention to sell any Shares to our Company if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles and the applicable law and regulations from time to in force in the Cayman Islands.

If, as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. In certain circumstances, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code) depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase.

Save as disclosed above, our Directors are not aware of any consequences which may arise under the Takeovers Code as a consequence of any repurchase of Shares if made immediately after the listing of our Shares pursuant to the Repurchase Mandate. At present, so far as is known to our Directors, no Shareholder may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that our Directors exercise the power in full to repurchase our Shares pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules). No connected person (as defined in the Listing Rules) has notified our Company that he/she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by our Group within the two years preceding the date of this prospectus and are or may be material in relation to the business of our Company taken as a whole:

- (a) a memorandum of agreement for sale and purchase dated 11 December 2014 entered into between Chim Kee Company Limited and Profit Principle Limited, pursuant to which Chim Kee Company Limited agreed to sell all that one equal undivided 24th part or share of and in all that piece or parcel of ground registered in the Land Registry as Kowloon Inland Lot No. 1525 and of and in the messuages erections and buildings thereon now known as No. 438 Nathan Road together with the sole and exclusive right and privilege to hold use occupy and enjoy all that the Front Portion of the First Floor of No. 438 Nathan Road, Kowloon, Hong Kong (now known as Tang's Mansion) (the "**Property**") to Profit Principle Limited at a cash consideration of HK\$2,800,000;
- (b) an assignment dated 11 December 2014 entered into between Chim Kee Company Limited and Profit Principle Limited, pursuant to which Chim Kee Company Limited agreed to sell the Property to Profit Principle Limited at a cash consideration of HK\$2,800,000;
- (c) a sales and purchase agreement dated 16 December 2014 entered into between Tang Kan, Tang Yiu Chi James and Crawler Krane Business Limited, pursuant to which Crawler Krane Business Limited agreed to acquire an aggregate of one ordinary share of K B Machinery Co., Limited at a cash consideration of HK\$6,386,181;
- (d) a sales and purchase agreement dated 16 December 2014 entered into between Tang Kan and Chim Kee Company Limited, pursuant to which Tang Kan agreed to sell and Chim Kee Company Limited agreed to acquire an aggregate of one ordinary share of Chim Kee Transportation Company Limited at a cash consideration of HK\$5,826;
- (e) the sales and purchase agreement dated 20 October 2015 entered into between Crawler Krane Business Limited, Tang J F T Company Limited and the Active Shareholders, pursuant to which the Active Shareholders agreed to sell and Crawler Krane Business Limited agreed to acquire an aggregate of 9,990 ordinary shares of Chim Kee Company


Limited, representing 99.9% of the issued share capital of Chim Kee Company Limited at a consideration of 9,999 ordinary shares issued by Tang J F T Company Limited in total to the Active Shareholders;

- (f) the Deed of Indemnity dated 23 October 2015 given by Tang Kan, Tang J F T Company Limited and Tang Yiu Chi James in favour of our Company and its subsidiaries containing certain indemnities;
- (g) the Deed of Non-competition dated 23 October 2015 given by Tang Kan, Tang J F T Company Limited and Tang Yiu Chi James in favour of our Company and its subsidiaries, details of which are set out in the section headed “Relationship with our Controlling Shareholders — Non-competition undertaking” in this prospectus;
- (h) the Deed of Trademark Assignment dated 23 October 2015 given by Chim Kee Group Limited in favour of our Company in relation to the assignment of the Hong Kong Trademarks; and
- (i) the Public Offer Underwriting Agreement dated 27 November 2015 relating to the Public Offer entered into between our Company, our executive Directors, our Controlling Shareholders, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers and the Public Offer Underwriters, details of which are summarised in the section headed “Underwriting — Underwriting arrangements and expenses — The Public Offer” in this prospectus.




2. Intellectual property rights of our Group




(a) Trademarks

As at the Latest Practicable Date, we had registered the following trademark:

Trademark	Registered owner	Class	Trade mark number	Place of registration
	Chim Kee	37	N/091906	Macau

As at the Latest Practicable Date, we have applied for registration of the following trademark(s) in Macau and the PRC:

Trademark	Class(es)	Application number	Place of application	Name of applicant
	37	N/091907 (870)	Macau	Chim Kee
	37	15912433	PRC	Chim Kee
	37	15912212	PRC	Chim Kee

The Hong Kong Trademarks, including ,  and  have been registered in Hong Kong by Chim Kee Group, a connected person of our Group and on 23 October 2015, Chim Kee Group assigned the Hong Kong Trademarks to our Company at nil consideration.

(b) Domain names

As at the Latest Practicable Date, our Group is the owner of the following domain names which are material to the business of our Group

Registered owner	Domain name	Registration date	Expiry date
Chim Kee	chimkeegroup.com.hk	20 February 2003	28 February 2018

C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Disclosure of interests

(a) Interests of Directors and chief executive in Shares, underlying Shares and debentures of our Company and its associated corporations

Immediately following the completion of the Capitalisation Issue and the Share Offer but taking no account of any Shares which may be issued under any of the Adjustment Options or upon the exercise of any options which may be granted under the Share Option Scheme, the interests and short positions of our Directors or chief executive of our Company in our Shares, underlying Shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are listed on the Main Board, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies Contained in the Listing Rules, to be notified to our Company and the Stock Exchange, will be as follows:

Long Position in the Shares

Name of Director/ chief executive	Capacity/Nature of interest	Number of underlying Shares ^(Note 1)	Percentage of shareholding
Mr. James Tang	Person having a security interest in shares	750,000	0.075%

Note: Following completion of the Share Offer, Tang J F T will hold 750,000,000 Shares. Mr. James Tang beneficially owns 0.1% of the issued share capital of Tang J F T.

(b) Interests of substantial and other Shareholders in our Shares and Underlying Shares

So far as is known to our Directors and taking no account of any Shares which may be taken up under the Share Offer, and any Shares to be issued under any of the Adjustment Options or pursuant to options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the Capitalisation Issue and the Share Offer, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Capacity/Nature of interest	Number of underlying Shares ^(Note 1)	Percentage of shareholding
Tang J F T ^(Note 2)	Beneficial owner	750,000,000	75%
Mr. Tang Kan ^(Note 2)	Interested in a controlled corporation	750,000,000	75%
Ms. Leung Lay Wen Lana ^(Note 3)	Interest of spouse	750,000,000	75%

Notes:

- All interests stated are long positions.
- Following completion of the Share Offer, Tang J F T will hold 750,000,000 Shares. Mr. Tang Kan beneficially owns 90.04% of the entire issued share capital of Tang J F T. Therefore, Mr. Tang Kan is deemed, or taken to be, interested in 675,300,000 Shares held by Tang J F T for the purpose of the SFO. Ms. Leung Lay Wen Lana, the spouse of Mr. Tang Kan, is interested in 0.2% of the share capital of Tang J F T.
- Ms. Leung Lay Wen Lana is the spouse of Mr. Tang Kan. Accordingly, Ms. Leung Lay Wen Lana is deemed, or taken to be, interested in all the Shares in which Mr. Tang Kan is interested for the purpose of the SFO.
- As at the date of filing the application proof, Tang J F T holds one Share of our Company, representing 100% of the issued share capital of our Company.

2. Particulars of service contracts

None of the Director has or is proposed to have any service agreement with our Company or any of its subsidiary (excluding contracts expiring or determinable by employer within one year without payment of compensation other than statutory compensation).

3. Remuneration of Directors

- (a) The aggregate remuneration paid by our Group to our Directors in respect of the three years ended 31 March 2013, 2014 and 2015 were approximately HK\$123,000, HK\$159,000 and HK\$463,000 respectively.
- (b) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

HK\$

Executive Directors

Mr. James Tang	2,040,000
Mr. Kwok Ho	1,200,000

HK\$

Independent Non-executive Directors

Mr. Kwong Ping Man	192,000
Mr. Chu Wai Wa Fangus	192,000
Ms. Pang Yuen Shan Christina	192,000

- (c) Each of the Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice served by either party on the other, and is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Memorandum and the Articles.

4. Related party transactions

Details of the related party transactions are set out under Note 33 to the Accountant's Report of our Company set out in Appendix I to this prospectus.

5. Disclaimers

Save as disclosed in this prospectus:

- (a) taking no account of any Shares which may be issued under any of the Adjustment Options or upon the exercise of options which may be granted under the Share Option Scheme or repurchased by our Company pursuant to the mandates as referred to in the paragraph headed "Further information about our Company" in this appendix, and taking no account of Shares which may be taken up under the Share Offer, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following the completion of the Capitalisation Issue and the Share Offer, have an interest or short position in our Shares or underlying Shares which will fall to be disclosed to our Company and the Stock Exchange pursuant

to the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;

- (b) none of our Directors or chief executive of our Company has any interest or short position in our Shares, underlying Shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies Contained in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Main Board;
- (c) none of our Directors or the experts named in the paragraph headed “Qualifications of experts” in this appendix is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of our Directors or the experts named in the paragraph headed “Qualifications of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (e) none of our Directors or the experts named in the paragraph headed “Qualifications of experts” in this appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (f) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group;
- (g) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)); and
- (h) no remuneration or other benefits in kind have been paid by any member of our Group to any Director since the date of incorporation of our Company, nor are any remuneration or benefits in kind payable by any member of our Group to any Director in respect of the current financial year under any arrangement in force as at the Latest Practicable Date.

D. SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 23 October 2015. The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

(a) Definitions

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

“Adoption Date”	23 October 2015, the date on which the Share Option Scheme is conditionally adopted by our Shareholders by way of written resolutions
“Board”	the board of Directors or a duly authorised committee of the board of Directors
“Group”	our Company and any entity in which our Company, directly or indirectly, holds any equity interest
“Scheme Period”	the period commencing on the Adoption Date and expiring at the close of business on the Business Day immediately preceding the tenth anniversary thereof

(b) Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on 23 October 2015:

(i) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and services providers of our Group and to promote the success of the business of our Group.

(ii) Who may join and basis of eligibility

Our Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or services provider of our Group, options to subscribe at a price calculated in accordance with paragraph (iii) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme. The basis of eligibility of any

participant to the grant of any option shall be determined by our Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

(iii) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by our Board and notified to a participant and shall be at least the higher of: (i) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a Business Day; (ii) the average of the closing prices of our Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option, provided always that for the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than five Business Days, the new issue price shall be used as the closing price for any Business Day fall within the period before listing.

(iv) Grant of options and acceptance of offers

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$1.

(v) Maximum number of Shares

- (aa) subject to sub-paragraph (bb) and (cc) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all our Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to 100,000,000 Shares to the participants under the Share Option Scheme.
- (bb) The 10% limit as mentioned above may be refreshed at any time by obtaining approval of our Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of our Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to our Shareholders containing the information as required under the Listing Rules in this regard.

- (cc) our Company may seek separate approval of our Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose, such other information required under the Listing Rules.
- (dd) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of our Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such 30% limit being exceeded.

(vi) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of our Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his associates abstaining from voting. In such event, our Company must send a circular to our Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of our Shareholders and the date of our Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(vii) Grant of options to certain connected persons

- (aa) Any grant of an option to a Director, chief executive or Substantial Shareholder (or any of their respective associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).
- (bb) Where any grant of options to a Substantial Shareholder or an independent non-executive Director (or any of their respective associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:
 - (i) representing in aggregate over 0.1% of our Shares in issue; and

- (ii) having an aggregate value, based on the closing price of our Shares at the date of each grant, in excess of HK\$5 million, such further grant of options is required to be approved by Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to our Shareholders containing all information as required under the Listing Rules in this regard. All connected persons of our Company shall abstain from voting (except where any connected person intends to vote against the proposed grant). Any change in the terms of an option granted to a Substantial Shareholder or an independent non-executive Director or any of their respective associates is also required to be approved by Shareholders in the aforesaid manner.

(viii) Restrictions on the times of grant of options

- (aa) An offer for the grant of options may not be made after any inside information (as defined in the SFO) has come to the knowledge of our Company until such inside information has been announced pursuant to the requirements of the Listing Rules and the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:
 - (i) the date of our Board meeting (such date to first be notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
 - (ii) the deadline for our Company to publish an announcement of the results for any year, half-year or quarterly under the Listing Rules, or other interim period (whether or not required under the Listing Rules).
- (bb) Further to the restrictions in paragraph (aa) above, no option may be granted to a Director on any day on which financial results of our Company are published and:
 - (i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
 - (ii) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(ix) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as our Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(x) *Performance targets*

Save as determined by our Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(xi) *Ranking of Shares*

Our Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that our Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(xii) *Rights are personal to grantee*

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(xiii) *Rights on cessation of employment by death*

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (xiv) below arises within a period of 3 years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (xvii), (xviii) and (xix) occurs prior to his death or within such period of six months following his death, then his personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(xiv) *Rights on cessation of employment by dismissal*

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by our Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with our Group.

(xv) Rights on cessation of employment for other reasons

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group for any reason other than his death or the termination of his employment on one or more of the grounds specified in (xiv) above, the option (to the extent not already exercised) shall lapse on the expiry of 3 months after the date of cessation of such employment (which date will be the last actual working day with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not).

(xvi) Effects of alterations to share capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices, as the auditors of or independent financial adviser to our Company shall certify or confirm in writing (as the case may be) to our Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time (no such certification is required in case of adjustment made on a capitalisation issue), provided that any alteration shall give a grantee the same proportion of the issued share capital of our Company as that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(xvii) Rights on a general offer

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all our Shareholders (or all such holders other than the offeror and, or any persons controlled by the offeror and, or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(xviii) Rights on winding-up

In the event a notice is given by our Company to the members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than 2 Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription

price for our Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(xix) Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and our Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to our Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already exercised) shall become exercisable in whole or in part on such date not later than two Business Days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (“Suspension Date”), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. Our Board shall endeavour to procure that our Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or willful default on the part of our Company or any of its officers.

(xx) Lapse of options

An option shall lapse automatically on the earliest of:

- (aa) the expiry of the period referred to in paragraph (ix) above;
- (bb) the date on which our Board exercises our Company’s right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (xii);

- (cc) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (xiii), (xiv), (xv), (xvii), (xviii) or (xix) above;
- (dd) subject to paragraph (xviii) above, the date of the commencement of the winding-up of our Company;
- (ee) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;
- (ff) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or
- (gg) subject to the compromise or arrangement as referred to in paragraph (xix) become effective, the date on which such compromise or arrangement becomes effective.

(xxi) Cancellation of options granted but not yet exercised

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as our Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

(xxii) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date and shall expire at the close of business on the Business Day immediately preceding the tenth anniversary thereof unless terminated earlier by our Shareholders in general meeting.

(xxiii) Alteration to the Share Option Scheme

- (aa) The Share Option Scheme may be altered in any respect by resolution of our Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options relating to matters governed by Rule 17.03 of the Listing Rules shall not be made except with the prior approval of our Shareholders in general meeting.
- (bb) Any amendment to any terms of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of our Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (cc) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of the Listing Rules or any guidelines issued by the Stock Exchange from time to time.

(xxiv) Termination to the Share Option Scheme

Our Company by resolution in general meeting or our Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(xxv) Conditions of the Share Option Scheme

The Share Option Scheme is conditional on the Listing Division of the Stock Exchange granting the listing of, and permission to deal in our Shares may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(c) Present status of the Share Option Scheme

Application has been made to the Listing Division for listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Tax and other indemnities

Our Controlling Shareholders (the “**Indemnifiers**”), have, under a deed of indemnity referred to in the paragraph headed “Further information about the business — Summary of material contracts” in this appendix, given indemnities to our Company for itself and as trustee for its subsidiaries in connection with the following matters:

- (i) The Indemnifiers have given joint and several indemnities to our Company (for itself and as trustee for its subsidiaries) in connection with, among other things, any liability for Hong Kong estate duty which may be payable by any member of our Group under or by virtue of the provisions of section 35 and/or section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or other similar legislation in any part of the world for reason of death of any person and by reason of any transfer of any property to any member of our Group on or before the date on which the Share Offer becomes unconditional; or any taxation falling on any member of our Group (i) in respect of or by reference to any income, profits or gains earned, accrued or received or deemed or alleged to have been earned, accrued or received on or before the date on which the Share Offer becomes unconditional; or (ii) in respect of or by reference to any transaction, act, omission or event entered into or occurring or deemed to enter into or occur on or before the date on which the Share Offer becomes unconditional.

The Indemnifiers will, however, not be liable under the Deed of Indemnity to the extent that, among others:

- (a) specific provision, reserve or allowance has been made for such liability in the audited consolidated accounts of any member of our Group for the Track Record Period; or
 - (b) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Share Offer becomes unconditional; or
 - (c) the taxation liability arises in the ordinary course of business of any members of our Group after 23 October 2015 up to and including the date on which the Share Offer becomes unconditional. Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.
- (ii) In relation to the Legal Proceeding of which details have been set out in the section headed “Business — Legal proceedings and compliance” in this prospectus, Tang J F T and Mr. James Tang, our Controlling Shareholders, have specifically given joint and several indemnities to our Company (for itself and as trustee for its subsidiaries) in connection with all losses, liabilities, costs, fees, expenses and fines suffered or incurred by us arising from and in relation to the Legal Proceeding;
- (iii) Mr. James Tang has obtained an undertaking from Mr. Tang Kan on an unconditional and irrevocable basis that Mr. Tang Kan will fully support Mr. James Tang financially to the extent that Mr. James Tang could fully discharge his obligations under the indemnity in connection with the Legal Proceeding; and
- (iv) Other than the Legal Proceeding, the Indemnifiers also have given joint and several indemnities to our Company (for itself and as trustee for its subsidiaries) in connection with any penalties claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature imposed on, suffered or incurred by any member of our Group as a result of or in connection with or arising from (i) any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings instituted by or against any member of our Group in relation to events occurred on or before the date on which the Share Offer becomes unconditional; or (ii) any noncompliance with applicable laws, rules or regulations by any member of our Group on or before the date on which the Share Offer becomes unconditional; or (iii) any losses or damages suffered by any member of our Group as a result of or in connection with the use of the Fanling Leased Properties.

2. Litigation

Our Directors confirmed that as at the Latest Practicable Date, save as disclosed in the section headed “Business — Legal proceedings and compliance” in this prospectus, no member of our Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is pending or threatened by or against any member of our Group.

3. Sponsor

The Sponsor has made an application on behalf of our Company to the Listing Division for listing of and permission to deal in our Shares in issue and to be issued as mentioned herein and any Shares which may fall to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme and the exercise of the any of the Adjustment Options. The Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

The Sponsor's fee in relation to the Listing is HK\$6.5 million.

4. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately HK\$38,000 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

6. Qualifications of experts

The following are the respective qualifications of the experts who have given their opinion or advice which is contained in this prospectus:

Name	Qualification
RHB Capital Hong Kong Limited	A licensed corporation under the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
BDO Limited	Certified Public Accountants
Appleby	Cayman Islands legal advisers
Mr. Ian Pennicott S.C.	Hong Kong barrister-at-law
MdME	Macau legal advisers
CT Partners Consultants Limited	Internal Control Consultant
Mr. Wong Bun Fai Philips	Hong Kong barrister-at-law
Mr. Yuen Siu Kei	Hong Kong barrister-at-law
CFN Lawyers in association with Broad & Bright	Hong Kong legal advisers

7. Consents of experts

Each of RHB Capital Hong Kong Limited, BDO Limited, Appleby, Mr. Ian Pennicott S.C., MdME, CT Partners Consultants Limited, Mr. Wong Bun Fai Philips, Mr. Yuen Siu Kei and CFN Lawyers in association with Board & Bright has given and has not withdrawn its written consents to the issue of this prospectus, with the inclusion of its letters and/or reports and/or opinions and/or summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which they respectively appear.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. Registration procedures

The principal register of members of our Company in the Cayman Islands will be maintained by Appleby Trust (Cayman) Ltd. and a branch register of members of our Company will be maintained by Tricor Investor Services Limited. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable our Shares to be admitted into CCASS.

10. No material adverse change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Company or its subsidiaries since 23 October 2015 (being the date to which the latest audited financial statements of our Group were made up) and up to the Latest Practicable Date.

11. Taxation of holders of Shares*(a) Hong Kong*

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

Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) *Consultation with professional advisers*

Intending holders of our Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasised that none of our Company, our Directors or parties involved in the Share Offer accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

12. Particulars of the Selling Shareholder

The particulars of the Selling Shareholder are set out as follows:

Tang J F T

Name:	Tang J F T Company Limited
Description:	A company incorporated in the BVI with limited liability on 18 September 2014
Registered Address:	Jayla Place, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands
Shareholder:	90.04% and 9.96% owned by Mr. Tang Kan and the other Active Shareholders, respectively
Number of Sale Shares to be sold:	83,256,000

13. Miscellaneous

- (a) Save as disclosed in this prospectus:
- (i) Within the two years immediately preceding the date of this prospectus:
 - (aa) no share or loan capital of our Company or any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (bb) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of our subsidiaries; and
 - (cc) no commission has been paid or payable (except to sub-underwriter) for subscribing or agreeing to subscribe, procuring or agreeing to procure subscriptions, for any Shares or shares of any of our subsidiaries.

- (ii) no founder, management or deferred shares or any debentures of our Company have been issued or agreed to be issued;
- (iii) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;
- (iv) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus;
- (v) none of RHB Capital Hong Kong Limited, BDO Limited, Appleby, Mr. Ian Pennicott S.C., MdME, CT Partners Consultants Limited, Mr. Wong Bun Fai Philips, Mr. Yuen Siu Kei and CFN Lawyers in association with Broad & Bright:
 - (aa) is interested beneficially or non-beneficially in any securities in any member of our Group, including our Shares; or
 - (bb) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group, including our Shares.
- (vi) our Company and its subsidiaries do not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans whether guaranteed or secured as at the Latest Practicable Date;
- (vii) our Directors have been advised that, under Cayman Islands laws, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by our Company in conjunction with the English name does not contravene Cayman Islands laws;
- (viii) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (ix) our Group has no outstanding convertible debt securities;
- (x) the English text of this prospectus shall prevail over the Chinese text; and
- (xi) Save as disclosed in the section headed “Underwriting — Underwriting arrangements and expenses — Underwriting commission and expenses” in this prospectus, and in the paragraph headed “Sponsor” in this appendix, none of the Directors or the experts named in the paragraph headed “Consents of experts” in this appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

14. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided in Section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

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 a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the written consents referred to in the section headed “Statutory and general information — Consents of experts” in Appendix IV to this prospectus and copies of the material contracts referred to in the section headed “Statutory and general information — Further information about the business — Summary of material contracts” in Appendix IV to this prospectus; and a statement of particulars of the Selling Shareholder.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of CFN Lawyers in association with Broad & Bright at Unit 1602, 16/F, Tung Chiu Commercial Centre, 193–197 Lockhart Road, Wan Chai, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the accountant’s report prepared by BDO Limited, the text of which is set out in Appendix I to this prospectus;
- (c) the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (d) the audited statutory financial statements of the companies comprising Chim Kee, Chim Kee Machinery, Chim Kee Transportation and K B Machinery for each of the three financial years ended 31 March 2015;
- (e) the Hong Kong legal opinion issued by Mr. Ian Pennicott S.C., a barrister-at-law in Hong Kong and our Hong Kong special legal counsel in respect of the Legal Proceeding as referred to in the section headed “Business — Legal proceedings and compliance” in this prospectus;
- (f) the Hong Kong legal opinion issued by Mr. Wong Bun Fai Philips, a barrister-at-law in Hong Kong and our Hong Kong special legal counsel in respect of the Appeal as referred to in the section headed “Risk factors — Risks relating to our business” in this prospectus;
- (g) the Hong Kong legal opinion issued by Mr. Yuen Siu Kei, a barrister-at-law in Hong Kong and our Hong Kong special legal counsel in respect of usage of certain premises as referred to in the section headed “Risk factors — Risks relating to our business” in this prospectus and the section headed “Business — Property” in this prospectus;
- (h) the Macau legal opinion issued by MdME, our Macau legal advisers in respect of our Group’s operation in Macau;
- (i) the material contracts referred to in the section headed “Statutory and general information — Summary of material contracts” in Appendix IV to this prospectus;
- (j) the service agreements referred to in the section headed “Statutory and general information — Particulars of service contracts” in Appendix IV to this prospectus;
- (k) the rules of the Share Option Scheme referred to in the section headed “Statutory and general information — Share Option Scheme” in Appendix IV to this prospectus;

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
IN HONG KONG AND AVAILABLE FOR INSPECTION**

- (l) the written consents referred to in the section headed “Statutory and general information — Other information — Consents of experts” in Appendix IV to this prospectus;
- (m) the Companies Law;
- (n) the letter prepared by Appleby summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this prospectus; and
- (o) a statement of particulars of the Selling Shareholder.

Clear Lift Holdings Limited
焯陞企業控股有限公司