



# Yee Hop Holdings Limited

## 義合控股有限公司

(Incorporated in the Cayman Islands with limited liability)  
Stock Code : 1662

# PLACING AND PUBLIC OFFER



Sole Sponsor



**中国平安资本(香港)**  
PING AN OF CHINA CAPITAL (HONG KONG)

Sole Global Coordinator



**中国平安证券(香港)**  
PING AN OF CHINA SECURITIES (HONG KONG)

Joint Bookrunners



**中国平安证券(香港)**  
PING AN OF CHINA SECURITIES (HONG KONG)



**中投证券(香港)**  
CHINA INVESTMENT SECURITIES (HK)

# IMPORTANT

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



## Yee Hop Holdings Limited 義合控股有限公司

(Incorporated in the Cayman Islands with limited liability)

### PLACING AND PUBLIC OFFER

Number of Offer Shares under the Share Offer	:	125,000,000 Shares (subject to the Adjustment Options)
Number of Public Offer Shares	:	12,500,000 Shares, comprising 12,500,000 New Shares (subject to reallocation)
Number of Placing Shares	:	112,500,000 Shares (subject to reallocation and the Adjustment Options)
Offer Price	:	Not more than HK\$1.03 per Offer Share and expected to be not less than HK\$0.69 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund on final pricing)
Nominal value	:	HK\$0.01 per Share
Stock code	:	1662

#### Sole Sponsor



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CHINA INVESTMENT SECURITIES (HK)

#### Joint Lead Managers



**雅利多證券**  
ARISTO SECURITIES LIMITED



**國金證券(香港)有限公司**  
SINOLINK SECURITIES (HK) CO. LTD.

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

A copy of this prospectus, with the documents specified in the section headed "Documents delivered to the Registrar of Companies and available for public inspection in Hong Kong" in Appendix V to this prospectus, has been registered with 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 of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, 11 December 2015 or such later date as may be agreed by the Sole Global Coordinator and our Company, but in any event not later than Saturday, 12 December 2015. The Offer Price will not be more than HK\$1.03 per Offer Share and is currently expected to be not less than HK\$0.69 per Offer Share unless otherwise announced. Investors applying for Public Offer Shares must pay, on application, the maximum Offer Price of HK\$1.03 for each Offer Share together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$1.03.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, with consent of our Company, reduce the indicative Offer Price range stated in this prospectus and/or the number of Offer Shares being offered at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such case, a notice of reduction of the indicative Offer Price range will be announced on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.yee-hop.com.hk](http://www.yee-hop.com.hk) not later than the morning of the last day for lodging applications under the Public Offer. If applications for Public Offer Shares have been submitted prior to the last day for lodging applications under the Public Offer, then even if the Offer Price is so reduced, such applications cannot subsequently be withdrawn. 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 and Employee Reserved Shares" in this prospectus.

If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on or before Saturday, 12 December 2015, the Public Offer will not become unconditional and will lapse immediately.

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

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

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## EXPECTED TIMETABLE<sup>(1)</sup>

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- Latest time for lodging **PINK** Application  
Forms at our Company's office at Unit 1104-06,  
Nan Fung Commercial Centre,  
19 Lam Lok Street, Kowloon Bay,  
Hong Kong ..... 12:00 noon on Thursday, 10 December 2015
- Latest time to complete electronic applications under the  
**HK eIPO White Form** service through the designated  
website at [www.hkeipo.hk](http://www.hkeipo.hk)<sup>(2)</sup> ..... 11:30 a.m. on Friday, 11 December 2015
- Application lists open<sup>(3)</sup> ..... 11:45 a.m. on Friday, 11 December 2015
- Latest time for lodging **WHITE, YELLOW** and **GREEN** Application  
Forms and giving **electronic application instructions** to  
HKSCC<sup>(4)</sup> ..... 12:00 noon on Friday, 11 December 2015
- Latest time to complete payment of **HK eIPO White Form**  
applications by effecting internet banking transfer(s) or  
PPS payment transfer(s) ..... 12:00 noon on Friday, 11 December 2015
- Application lists close<sup>(3)</sup> ..... 12:00 noon on Friday, 11 December 2015
- Expected Price Determination Date<sup>(5)</sup> ..... Friday, 11 December 2015
- Announcement of the Offer Price, the indication of levels  
of interest in the Placing, the level of applications in respect of  
the Public Offer and the Employee Preferential Offering and  
the basis of allotment of the Public Offer Shares under  
the Public Offer and the Employee Reserved Shares under  
the Employee Preferential Offering to be published  
in The Standard (in English) and Sing Tao Daily (in Chinese) and on  
the website of our Company at [www.yee-hop.com.hk](http://www.yee-hop.com.hk)<sup>(6)</sup> and  
on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk)  
on or before ..... Thursday, 17 December 2015
- Results of allocations in the Public Offer and  
the Employee Preferential Offering (with successful applicants'  
identification document numbers, where appropriate)  
to be available through a variety of channels as described  
in the section headed "How to Apply for the Public Offer Shares and  
Employee Reserved Shares" from ..... Thursday, 17 December 2015
- Results of allocations in the Public Offer and  
the Employee Preferential Offering will be available at  
[www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with a "search by  
ID Number/Business Registration Number"  
function from ..... Thursday, 17 December 2015
- Despatch/Collection of Share certificates  
in respect of wholly or partially successful  
applications pursuant to the Public Offer  
and Employee Preferential Offering on<sup>(7)</sup> ..... Thursday, 17 December 2015

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## EXPECTED TIMETABLE<sup>(1)</sup>

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### Despatch/Collection of **HK eIPO White Form** e-Auto

Refund payment instructions/refund cheques in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications pursuant to the Public Offer on<sup>(8)</sup> . . . . . Thursday, 17 December 2015

### Dealings in Shares on the main board of the Stock

Exchange expected to commence at 9:00 a.m. on . . . . . Friday, 18 December 2015

#### *Notes:*

- (1) All dates and times refer to Hong Kong dates and times. Details of the structure of the Share Offer, including the conditions of the Public Offer, are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus. If there is any change in this expected timetable, our Company will issue a separate announcement to be published on the website of our Company at [www.yee-hop.com.hk](http://www.yee-hop.com.hk) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).
- (2) You will not be permitted to submit your application to the **HK eIPO White Form** Service Provider through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on 11 December 2015, the application lists will not open or close on that day. Please refer to the section headed “How to Apply for the Public Offer Shares and Employee Reserved Shares — 10. Effect of bad weather on the opening of the application lists” in this prospectus. If the application lists do not open and close on 11 December 2015, the dates mentioned in this section headed “Expected Timetable” may be affected. We will make a press announcement in such event.
- (4) Applicants who apply for the Public Offer Shares by giving electronic application instructions to HKSCC should refer to the section headed “How to Apply for the Public Offer Shares and Employee Reserved Shares — 6. Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
- (5) The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about 11 December 2015 and, in any event, not later than 12 December 2015. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company by 12 December 2015, the Share Offer (including the Public Offer) will not proceed and will lapse.
- (6) None of the website or any information contained on the website forms part of this prospectus.
- (7) Eligible Employees who apply for 100,000 Employee Reserved Shares or more under the Employee Preferential Offering or applicants who apply for 1,000,000 or more Public Offer Shares and have provided all information required in their Application Forms that they may collect Share certificates (if applicable) and refund cheques (if applicable) in person may do so from our Hong Kong Share Registrar, at 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 17 December 2015 or any other date notified by us as the date of despatch of Share certificates/e-Auto Refund payment instructions/refund cheques. Eligible Employees who apply for 100,000 Employee Reserved Shares or more under the Employee Preferential Offering or applicants being individuals who opt for personal collection must not authorise any other person to make their collection on their behalf. Applicants being corporations who opt for personal collection must attend by sending their authorised representatives each bearing a letter of authorisation from his corporation stamped with the corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar. Applicants who have applied on **YELLOW** Application Forms may not elect to collect their Share certificates, which will be deposited into CCASS for the credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant’s own risk to the address specified in the relevant Application Form. For further information, applicants should refer to the section headed “How to Apply for the Public Offer Shares and Employee Reserved Shares — 14. Despatch/Collection of share certificates and refund monies” in this prospectus.

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## EXPECTED TIMETABLE<sup>(1)</sup>

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- (8) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and also in respect of successful applications in the event that the Offer Price is less than the initial price per Public Offer Share payable on application. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in “How to Apply for the Public Offer Shares and Employee Reserved Shares” in this prospectus.

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

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

Particulars of the structure of the Share Offer, including the conditions thereto, are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus. Details relating to how to apply for the Public Offer Shares are set out in the section headed “How to Apply for the Public Offer Shares and Employee Reserved 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 Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the Sole Global Coordinator, any of the Underwriters, any of their respective directors, officers, representatives or advisors 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. Since it is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares.*

*There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" of this prospectus. You should read that section carefully before you decide to invest in our Shares.*

### OVERVIEW OF OUR BUSINESS

We are an established contractor in Hong Kong and are principally engaged in the provision of (i) foundation works, including the construction of mini-piles, rock-socketed steel H-piles and driven steel H piles, and other civil works, including site formation works and road and pavement works; and (ii) tunneling works, including pipe jacking, hand dig tunnel and cut-and-cover tunnel works. Our history can be traced back to 1989 when Yee Hop Engineering, our main operating subsidiary was established. For the three years ended 31 March 2013, 2014, 2015, the four months ended 31 July 2015 and up to the Latest Practicable Date, we had completed 10, 15, six, two and two projects respectively.

During the Track Record Period, our Group mainly secured our construction projects through tender. For each of the years ended 31 March 2013, 2014, 2015 and the four months ended 31 July 2015, the tender success rate of our Group in the foundation and other civil works segment was approximately 12.5%, 15.0%, 22.0% and 11.8% respectively while the tender success rate of our Group in the tunneling works segment was approximately 25.0%, nil, 100.0% and nil respectively. We engaged in construction projects as the main contractor or as a subcontractor. During the Track Record Period, the total revenue generated by construction projects undertaken by us as the main contractor accounted for approximately 32.3%, 41.7%, 46.1% and 44.6% respectively whereas the remaining approximately 67.7%, 58.3%, 53.9% and 55.4% of our revenue was generated from the projects undertaken by us as a subcontractor during the corresponding period.

Our Group engaged in the provision of construction works in both the private sector and public sector. Our Group classifies public sector projects as projects where the ultimate employer is a Government department, a public utility company and a statutory body. During the Track Record Period, our Group generated approximately 66.8%, 49.0%, 50.0% and 41.6% of our revenue from public sector projects respectively, with the remaining revenue of approximately 33.2%, 51.0%, 50.0% and 58.4% from private sector projects respectively. On the other hand, the number of projects handled by our Group and the respective revenue attributable to the two segments of our business activities and our Group's capacity (i.e. main contractor or subcontractor) during the Track Record Period are as follows:

	31 March 2013			For the year ended 31 March 2014			31 March 2015			For the four months ended 31 July 2014			31 July 2015		
	No. of projects handled (Note)	Revenue (HK\$ million)	Percentage (%)	No. of projects handled (Note)	Revenue (HK\$ million)	Percentage (%)	No. of projects handled (Note)	Revenue (HK\$ million)	Percentage (%)	No. of projects handled (Note)	Revenue (HK\$ million)	Percentage (%)	No. of projects handled (Note)	Revenue (HK\$ million)	Percentage (%)
<b>By segment</b>															
Foundation and other civil works	24	215.8	67.2	21	229.1	56.7	15	298.7	51.7	8	117.3	63.3	10	171.8	68.4
Tunneling works	15	105.2	32.8	11	175.3	43.3	10	278.6	48.3	6	67.9	36.7	7	79.3	31.6
<b>Total</b>	<b>39</b>	<b>321.0</b>	<b>100</b>	<b>32</b>	<b>404.4</b>	<b>100</b>	<b>25</b>	<b>577.3</b>	<b>100</b>	<b>14</b>	<b>185.2</b>	<b>100</b>	<b>17</b>	<b>251.1</b>	<b>100</b>
<b>By our Group's capacity</b>															
Main contractor	18	103.6	32.3	15	168.7	41.7	11	266.0	46.1	7	55.4	29.9	13	112.0	44.6
Subcontractor	21	217.4	67.7	17	235.7	58.3	14	311.3	53.9	7	129.8	70.1	4	139.1	55.4
<b>Total</b>	<b>39</b>	<b>321.0</b>	<b>100</b>	<b>32</b>	<b>404.4</b>	<b>100</b>	<b>25</b>	<b>577.3</b>	<b>100</b>	<b>14</b>	<b>185.2</b>	<b>100</b>	<b>17</b>	<b>251.1</b>	<b>100</b>



## SUMMARY

*Note:* The number of projects handled as shown in the above table is counted based on the revenue recognised in a particular financial year/period during the Track Record Period.

The following tables set forth our gross profit and gross profit margin by segment and our Group's capacity (i.e. main contractor or subcontractor) in the construction projects during the Track Record Period:

	For the year ended						For the four months ended			
	31 March 2013		31 March 2014		31 March 2015		31 July 2014		31 July 2015	
	<i>Gross</i>		<i>Gross</i>		<i>Gross</i>		<i>Gross</i>		<i>Gross</i>	
	<i>profit</i>		<i>profit</i>		<i>profit</i>		<i>profit</i>		<i>profit</i>	
	<i>margin</i>		<i>margin</i>		<i>margin</i>		<i>margin</i>		<i>margin</i>	
	(HK\$		(HK\$		(HK\$		(HK\$		(HK\$	
	million)	(%	million)	(%	million)	(%	million)	(%	million)	(%
<b>By segment</b>										
Foundation and other civil works	39.5	18.3	45.3	19.8	87.0	29.1	50.0	42.6	63.4	36.9
Tunneling works	21.1	20.1	26.2	14.9	75.1	27.0	11.4	16.8	5.3	6.7
	<u>60.6</u>	18.9	<u>71.5</u>	17.7	<u>162.1</u>	28.1	<u>61.4</u>	33.1	<u>68.7</u>	27.3
<b>By our Group's capacity</b>										
Main contractor	11.1	10.7	28.5	16.9	62.4	23.5	9.1	16.4	36.0	32.1
Subcontractor	49.5	22.8	43.0	18.3	99.7	32.0	52.3	40.3	32.7	23.5
	<u>60.6</u>	18.9	<u>71.5</u>	17.7	<u>162.1</u>	28.1	<u>61.4</u>	33.1	<u>68.7</u>	27.3

As shown in the above tables, our gross profit increased from approximately HK\$71.5 million in the year ended 31 March 2014 to approximately HK\$162.1 million in the year ended 31 March 2015, representing an increase of approximately 1.3 times. During the same period, our overall gross profit margin increased from approximately 17.7% to approximately 28.1%. With respect to tunneling works, the aforesaid increase in gross profit and gross profit margin was mainly attributable to the substantial completion of two projects (that in aggregate contributed more than 80% of our gross profit in the tunneling business segment in the year ended 31 March 2015) with relatively higher gross profit margin primarily as a result of the facts that (i) the ultimate customer of one of the projects accepted a cost saving proposal to change certain design parameters and the elimination of certain temporary work design leading to an increase in gross profit margin; and (ii) one of the projects became more cost effective in the year ended 31 March 2015 as more construction work orders had been placed and performed, and the cost incurred for the materials and accessories had decreased due to utilisation of used materials. With respect to foundation and other civil works, the aforesaid increase in gross profit was mainly attributable to the substantial completion of two projects which we attained a higher gross profit margin in the year ended 31 March 2015 than that in the previous year primarily as a result of the facts that (i) one of the project's material costs and subcontractor fee were substantially incurred in the year ended 31 March 2014 but greatly reduced in the year ended 31 March 2015; and (ii) one of the projects had certain preparation works carried out in the second half of the year ended 31 March 2014 leading to a lower revenue generated at that stage.

Our gross profit increased from approximately HK\$61.4 million for the four months ended 31 July 2014 to approximately HK\$68.7 million for the four months ended 31 July 2015, representing an increase of approximately 11.9%. During the same period, our overall gross profit margin decreased from approximately 33.1% to approximately 27.3%. The aforesaid changes in gross profit and gross profit margin were mainly attributable to combined effect of the facts that (i) our gross profit in relation to tunneling works decreased by approximately HK\$6.1 million due to the gross loss of approximately HK\$9.9 million recorded in one of the projects for the four months period ended 31 July 2015, which was

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## SUMMARY

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mainly due to two construction sites of this project were in the preparation stage which incurred significant amount of material and accessories costs and wages of skilled labour; and (ii) our gross profit in relation to foundation and other civil works increased by approximately HK\$13.4 million, such increase was largely attributable to the substantial completion of several new projects with relatively higher gross profit margin, while our gross profit margin in the foundation and other civil works segment decreased due to the completion of a project with relatively high profit margin in the year ended 31 March 2015 and the settlement of payment for a piling project, which had been completed in 2009 with all of related costs having been incurred in prior periods.

For more details, please refer to section headed “Financial Information — Period to period comparison of results of operation”.

### Tender Success Rates

The following table sets forth the number of projects tendered and won by our Group for each of the financial years/period ended 31 March 2013, 2014, 2015 and the four months ended 31 July 2015 respectively by business segments:

	Foundation and other civil works	Tunneling works	Total
<i>For the year ended 31 March 2013:</i>			
The number of projects tendered for	48	4 <sup>(Note)</sup>	52
The number of projects won	6	1	7
Success rate (%)	12.5	25.0	13.5
<i>For the year ended 31 March 2014:</i>			
The number of projects tendered for	40	1 <sup>(Note)</sup>	41
The number of projects won	6	0	6
Success rate (%)	15.0	0.0	14.6
<i>For the year ended 31 March 2015:</i>			
The number of projects tendered for	50	1 <sup>(Note)</sup>	51
The number of projects won	11	1	12
Success rate (%)	22.0	100.0	23.5
<i>For the four months ended 31 July 2015:</i>			
The number of projects tendered for	17	0 <sup>(Note)</sup>	17
The number of projects won	2	0	2
Success rate (%)	11.8	0.0	11.8

*Note:* There was less number of projects tendered for tunneling works for the years ended 31 March 2014 and 2015 and the four months ended 31 July 2015, due to the facts that we had entered into (i) a 5-year term contract since August 2011 with a public utility company which involves in the design, execution and maintenance of tunneling works within Hong Kong; and (ii) a tunneling works subcontract with a main contractor with a contract sum of approximately HK\$542.5 million in 2013. To ensure sufficient manpower and machineries can be deployed to complete the tunneling works under these two contracts, our Directors decided to submit less tenders on other tunneling projects during the Track Record Period.

### Contracts on hand

Contracts on hand include the projects in progress and the project awarded but not yet commenced as at the Latest Practicable Date. As at the Latest Practicable Date, the awarded contract sum for our contracts on hand amounted to approximately HK\$1,341.6 million (including the aggregate contract sum of HK\$259.5 million of Project 43 which was comprised of 41 purchase orders issued by the customer as at the Latest Practicable Date) with an aggregate amount of contract sum yet to be recognised of approximately HK\$510.7 million (including the aggregate outstanding contract sum of approximately HK\$86.9 million of Project 43).

## SUMMARY

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

Code	Location of project	Type/capacity of customer <sup>(1)</sup>	Business segment <sup>(2)</sup>	Commencement date <sup>(3)</sup>	Expected completion date <sup>(4)</sup>	Original contract sum (approximately HK\$ million)	Percentage of works certified as at the Latest Practicable Date (%)	Amount of contract sum yet to be recognised as at the Latest Practicable Date (approximately HK\$ million) (Note 5)
Project 34	Sai Ying Pun	Public utility	Tunneling works	June 2013	December 2015 <sup>(6)</sup>	33.6	78	7.3
Project 37	Lamma Island	Public utility	Foundation and other civil works	March 2015	December 2015	18.8	65	6.5
Project 38	Various locations within Hong Kong Island	Public utility	Foundation and other civil works	December 2014	December 2015 <sup>(6)</sup>	3.2	71	0.9
Project 39	Sha Tau Kok	Government department	Foundation and other civil works	December 2014	December 2015	38.4	83	6.7
Project 40	Third Street	Public utility	Tunneling works	December 2011	May 2016 <sup>(6)</sup>	48.7 <sup>(7)</sup>	67 <sup>(7)</sup>	16.2 <sup>(7)</sup>
Project 41	Kwun Tong	Property developer	Foundation and other civil works	March 2015	April 2016 <sup>(8)</sup>	54.4	42	31.4
Project 42	Deep Water Bay	Public utility	Tunneling Works	May 2015	June 2016	21.7	6	20.5
Project 43	Various locations within Hong Kong	Public utility	Tunneling works	August 2011	August 2016	Not applicable <sup>(9)</sup>	Not applicable <sup>(9)</sup>	Not applicable <sup>(9)</sup>
Project 44	Castle Peak Road	Main contractor	Tunneling works	October 2014	December 2015	11.4	44	6.4
Project 45	Nam Fung Path	Main contractor	Foundation and other civil works	December 2014	December 2015	173.0	76	42.2
Project 46	Kai Tak	Main contractor	Tunneling works	October 2013	October 2016	542.5	71	159.7
Project 47	Hong Kong — Zhuhai — Macao Bridge Substation	Public utility	Foundation and other civil works	August 2015	February 2016	29.6	22	23.0
Project 48	San Po Kong	Property developer	Foundation and other civil works	July 2015	September 2016	77.8	8	71.5
Project 49	Kwai Chung	Main contractor	Foundation and other civil works	August 2015	December 2016	32.6 <sup>(10)</sup>	— <sup>(11)</sup>	32.6
Project 50	Lamma Island	Public utility	Foundation and other civil works	October 2015	October 2016	7.0	— <sup>(11)</sup>	7.0
Project 51	Sheung Yuet Road	Main contractor	Foundation and other civil works	October 2015 <sup>(12)</sup>	March 2016 <sup>(13)</sup>	6.8	— <sup>(11)</sup>	6.8
Project 52	North Point	Public utility	Foundation and other civil works	December 2015	May 2016	1.3	— <sup>(11)</sup>	1.3

*Notes:*

1. This refers to the capacity (i.e. property developer, main contractor, subcontractor, Government department, educational institution or public utility company) of the customer who has signed contract with our Group.
2. This is based on the business segment as classified in the financial statements of our Group.
3. Unless otherwise specified, this refers to the contract date, the commencement date specified in the contract or the instruction issued by the customer's representative pursuant to the contract.
4. Unless otherwise specified, this refers to the expected completion date specified in the contract.
5. Original contract sum and amount of contract sum yet to be recognised as at Latest Practicable Date exclude any variation orders or adjustments in contract sum after the award of contract.
6. This refers to the completion date of the construction period as stated in the insurance policy of the project.
7. There is an extension of works due to a variation order. The estimate of the variation order was submitted to the customer's representative which the estimated final contract sum would be approximately HK\$48.7 million. The original contract sum is approximately HK\$30.0 million which has been fully recognised as at the Latest Practical Date.

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## SUMMARY

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8. This refers to the expected completion date as stated in an instruction issued by the customer's representative.
9. There is no fixed contract sum for this contract. As at the Latest Practicable Date, there were 41 purchase orders with an aggregate contract sum of approximately HK\$259.5 million issued by the customer to our Group and the amount of works certified under this contract was approximately HK\$172.6 million with an aggregate outstanding contract sum of approximately HK\$86.9 million. The customer issued one purchase order with a contract sum of approximately HK\$25.1 million to us subsequent to the Track Record Period. Please refer to the paragraph headed "Term contract with a customer for provision of tunneling works" in the "Business" section for further details of this contract.
10. There is no fixed contract sum for this contract. It is a re-measurement contract based on the actual work done for the customer. The awarded contract sum is approximately HK\$32.6 million.
11. Works for these projects have commenced but yet to be certified or works have not been commenced as at the Latest Practicable Date.
12. Project 36 and 51 are part of the same works located at Sheung Yuet Road. Project 51 commenced upon the completion of Project 36 in October 2015.
13. This refers to the expected completion date as stated in the construction programme issued by the customer.
14. Save for Project 52, which is a project awarded but not yet commenced as at the Latest Practicable Date, all above-mentioned projects are in progress as at the Latest Practicable Date.

### Occupational Health and Safety

Although our Group has implemented safety plan to mitigate safety risks, the occurrence of accidents at construction sites cannot be completely eliminated due to the work nature in the construction industry. Our Group recorded 844, 904, 1,373, 1,177 and 1,180 lost time injuries frequency rate(s)<sup>(Note)</sup> ("LTIFR(s)") during the Track Record Period and the seven months ended 31 October 2015 respectively. During the Track Record Period, the accident rates recorded on the basis of accident rate per 1,000 workers at the construction sites of our Group was lower than the industry average. Furthermore, during the Track Record Period, our Group recorded no fatal injury at our construction sites. For further details of the safety measures adopted by our Group and the accident rates and LTIFRs of our Group, please refer to the section headed "Business — Occupational health and safety" in this prospectus.

*Note:* LTIFR is a frequency rate that shows the amount of lost time injuries occurred over a specified time (e.g. per 1,000,000 hours) worked in a period. The LTIFRs shown above are calculated by multiplying the number of lost time injuries in terms of loss days of our Group that occurred during the relevant financial year/period by 1,000,000 and then divided by the number of hours worked by our construction site workers over the same financial year/period. Assuming that the working hour of each worker is 10 hours per day, the number of working days for each of the three years ended 31 March 2015, the four months ended 31 July 2015 and the seven months ended 31 October 2015 were approximately 300 days, 300 days, 301 days, 102 days and 178 days respectively.

### OUR LICENCE/REGISTRATION

Yee Hop Engineering has obtained the following registrations:

Registration	Category	Granted by	Authorised contract value
List of Approved Contractors for Public Works	Port Works (Group B)	Development Bureau	Up to HK\$185 million
List of Approved Contractors for Public Works (Note)	Roads and Drainage (Group CP)	Development Bureau	Exceeding HK\$185 million
List of Approved Contractors for Public Works	Site Formation (Group BP)	Development Bureau	Up to HK\$185 million
List of Approved Contractors for Public Works	Waterworks (Group BP)	Development Bureau	Up to HK\$185 million

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## SUMMARY

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Registration	Category	Granted by	Authorised contract value
List of Approved Supplier of Materials and Specialist Contractor for Public Works	Land Piling (Group II) – Mini-pile – Rock-socketed Steel H-Pile in Pre-bored Hole – Steel H Pile	Development Bureau	Unlimited value
Register of General Building Contractors	Not applicable	Buildings Department	Not applicable
Register of Specialist Contractors	Foundation works	Buildings Department	Not applicable

*Note:* Yee Hop Engineering voluntarily refrained from tendering for roads and drainage works of Highways Department from January 2011 to July 2013 as the performance of Yee Hop Engineering in respect of a particular roads and drainage project prior to the Track Record Period as assessed by the Highways Department was not satisfactory. The Highways Department uplifted the suspension in July 2013 at the request of Yee Hop Engineering after the performance of Yee Hop Engineering was improved.

As such, we are eligible to tender for the awarding of contracts as the main contractor in various categories of construction works offered by the Government. Our two other subsidiaries, namely, Yee Hop Construction and Y.H. Foundations, which do not obtain the above registration, they carry out subcontract works for main contractors who hold all the required registrations for the relevant construction projects. For further details of our licence/registration, please refer to the paragraph headed “Business — Licences and permits” in this prospectus.

### CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

#### Customers

Our customers include the Government, public utility companies, property developers and contractors. Revenue attributable to our Group’s five largest customers for the years ended 31 March 2013, 2014, 2015 and the four months ended 31 July 2015 amounted to approximately 86.4%, 85.5%, 96.8% and 96.1% of the revenue of our Group respectively. During the Track Record Period, our Group derived a significant portion of our revenue from our largest customer, Customer A. For each of the corresponding financial years/period, Customer A accounted for approximately 52.8%, 52.0%, 52.0% and 55.3% of our revenue respectively. For further details of our major customers, please refer to the paragraph headed “Business — Customers” in this prospectus.

#### Suppliers and Subcontractors

Purchases from our five largest suppliers accounted for approximately 52.1%, 62.0%, 55.9% and 61.1% of the total costs of construction materials and accessories for each of the respective financial years/period during the Track Record Period. Depending on the type of works, the relevant licensing/specialist requirements, and the level of our internal resources, we sometimes subcontract part of our works to our subcontractors. Subcontracting fees accounted for approximately 20.4%, 15.6%, 22.6% and 25.4% of our total costs of services for the years ended 31 March 2013, 2014, 2015 and the four months ended 31 July 2015. Subcontracting works performed by our five largest subcontractors accounted for approximately 67.1%, 55.6%, 54.6% and 77.5% of our total subcontracting fees for each of the respective financial years/period. For further details of our major suppliers and subcontractors, please refer to the paragraphs respectively headed “Business — Suppliers” and “Business — Subcontractors” in this prospectus.

### COMPETITIVE STRENGTHS

Our Directors believe that our competitive strengths are as follows, each of which are discussed in further detail in the paragraph headed “Business — Competitive strengths” in this prospectus:

- We have the capability, qualification and expertise to undertake both foundation and other civil works; and tunneling works in Hong Kong

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## SUMMARY

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- We own a wide range of machineries and equipment to carry out foundation and other civil works; and tunneling works
- We have an established operating history and proven track record
- We have an experienced and professional management team and in-house site staff and direct labour in carrying out construction works
- We have long-term and stable relationships with our customers, subcontractors and suppliers
- We are committed to high safety and environmental management standards; and stringent quality controls

### BUSINESS STRATEGIES

The business strategies of our Group include (i) continuing to expand our scale in both foundation and other civil works; and tunneling works in Hong Kong; (ii) expanding our foundation and other civil works business in the Hong Kong public housing market; and (iii) capturing tunneling works opportunities. For further details of the business strategies, please refer to the paragraph headed “Business — Business strategies” in this prospectus.

### MARKET POSITIONS

According to the Ipsos Report, the respective top five contractors in the foundation, civil engineering and tunneling industry in Hong Kong accounted for approximately 48.5%, 50.0% and 34.3% of the total market share by revenue in Hong Kong in 2014 respectively. Foundation and other civil works by our Group contributed approximately 0.3% to the total revenue of the foundation and civil engineering industry in Hong Kong in 2014. Tunneling works by our Group contributed approximately 0.6% of the total revenue to the tunneling industry in Hong Kong in 2014 while approximately 1.2% of the total revenue of non-MTRC tunneling works which include electricity cabling works. Our revenue derived from performing tunneling works for electricity cabling accounted for approximately 12.6% of the gross value of tunneling works for electricity cabling tendered out by the two electricity supply companies in 2014.

### FINANCIAL INFORMATION

The following is a summary of our Group’s combined financial information, derived from the combined statements of profit or loss and other comprehensive income and combined statement of financial position from the Accountants’ Report, included in Appendix I to this prospectus, for the years ended and as at 31 March 2013, 2014, 2015 and for the four months ended and as at 31 July 2015. The summary below should be read in conjunction with the financial information included in the Accountants’ Report in Appendix I to this prospectus, together with the accompanying notes.

#### Summary of Combined Statements of Profit or Loss and other Comprehensive Income

	For the year ended 31 March			For the four months ended 31 July
	2013	2014	2015	2015
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Revenue	320,991	404,371	577,333	251,079
Gross profit	60,601	71,451	162,074	68,659
Profit before taxation	26,565	28,904	106,201	50,402
Profit and total comprehensive income for the year/period	22,160	24,181	86,646	41,812

## SUMMARY

### Summary of Combined Statement of Financial Position

	As at 31 March			As at 31 July 2015
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2015 HK\$'000
Non-current assets	62,406	87,002	82,920	79,713
Current assets	103,675	203,155	266,210	284,325
Current liabilities	(62,799)	(158,555)	(183,617)	(182,324)
Net current assets	40,876	44,600	82,593	102,001
Total assets less current liabilities	103,282	131,602	165,513	181,714
Non-current liabilities	(36,664)	(40,803)	(25,868)	(25,449)
Net assets	66,618	90,799	139,645	156,265
Total equity	66,618	90,799	139,645	156,265

### Summary of Combined Statements of Cash Flows

	For the year ended 31 March			For the four months ended 31 July 2015
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2015 HK\$'000
Net cash from (used in) operating activities	21,584	103,067	158,901	(24,069)
Net cash used in investing activities	(4,662)	(19,557)	(7,816)	(1,796)
Net cash used in financing activities	(8,874)	(37,447)	(74,991)	(29,999)
Net increase (decrease) in cash and cash equivalents	8,048	46,063	76,094	(55,864)
Cash and cash equivalent at the beginning of the year/period	(3,830)	4,218	50,281	126,375
<b>Cash and cash equivalent at the end of the year/period</b>	<b>4,218</b>	<b>50,281</b>	<b>126,375</b>	<b>70,511</b>

Our cash and cash equivalents increased from approximately HK\$4.2 million as at 31 March 2013 to approximately HK\$50.3 million as at 31 March 2014 and further increased to approximately HK\$126.4 million as at 31 March 2015. As at 31 July 2015, our cash and cash equivalents decreased to approximately HK\$70.5 million as a result of net cash used in operating activities due to the timing difference between making payments to our suppliers and subcontractors and receiving payments from customers, and net cash used in financing activities as mainly paid for dividend in May and July 2015. For more details, please refer to section headed “Financial Information — Liquidity and capital resources”.

### Revenue

Revenue from our construction works is recognised based on the stage of completion of works in a project. Our Group submits payment applications to our customers of individual projects usually on a monthly basis. Typically, our customers, or authorised persons employed by our customers would certify the value of the works completed, which may include variation works and claims, if any, and our customers would arrange settlements with respect to the portion of construction works completed.

During the Track Record Period, our Group recorded revenue of approximately HK\$321.0 million, HK\$404.4 million, HK\$577.3 million and HK\$251.1 million, respectively, representing year-on-year increases for the years ended 31 March 2014 and 2015 of

## SUMMARY

approximately 26.0% and 42.8%, respectively. Our Group recorded net profits of approximately HK\$22.2 million, HK\$24.2 million, HK\$86.6 million and HK\$41.8 million during the Track Record Period respectively, representing year-on-year increases for the years ended 31 March 2014 and 2015 of approximately 9.0% and 257.9% respectively. For further details of the construction works completed during the Track Record Period and our Group's contracts on hand as at the Latest Practicable Date, please refer to the paragraph headed "Business — Construction projects" in this prospectus.

Our Group recorded a continuous increase in net current assets position during the Track Record Period. Our net current assets as at 31 July 2015 was approximately HK\$102.0 million, which was due to the increase in trade and retention receivables, partially offset by decrease in bank balances and cash as a result of net cash outflow from operating activities and payment of dividend during the four months ended 31 July 2015.

### Cost of services

Our cost of services mainly includes costs of construction materials and accessories, staff costs, subcontracting fee, depreciation of our machineries and equipment and other direct costs (including mainly insurance expenses, consultancy fees and other site overheads, electricity, water consumed, hiring expenditure of construction machineries, testing expenses for machineries and materials). Our most significant costs of services are construction materials and accessories and staff costs. During the Track Record Period, (i) the cost of construction materials and accessories amounted to approximately HK\$83.1 million, HK\$136.0 million, HK\$147.7 million and HK\$58.1 million respectively, representing approximately 31.9%, 40.9%, 35.6% and 31.8% of the cost of services respectively; and (ii) staff costs amounted to approximately HK\$80.2 million, HK\$83.0 million, HK\$98.1 million and HK\$40.9 million respectively, representing approximately 30.8%, 24.9%, 23.6% and 22.4% of the cost of services respectively. The proportion of construction materials and accessories and staff costs in the cost of services depends on, among other factors, the nature, design, and requirements of our projects and varies from project to project.

The following table sets forth a breakdown of our cost of services during the Track Record Period:

Cost of services	For the year ended 31 March					For the four months ended 31 July				
	2013	2014		2015		2014		2015		
	(HK\$ million)	%	(HK\$ million)	%	(HK\$ million)	(HK\$ million)	%	(HK\$ million)	%	
						(unaudited)				
Materials and accessories	83.1	31.9	136.0	40.9	147.7	35.6	47.0	38.0	58.1	31.8
Staff costs	80.2	30.8	83.0	24.9	98.1	23.6	27.9	22.5	40.9	22.4
Subcontracting fee	53.0	20.4	51.9	15.6	94.0	22.6	31.6	25.5	46.3	25.4
Depreciation	7.2	2.7	15.2	4.6	22.4	5.4	7.3	5.9	8.9	4.9
Other direct costs	36.9	14.2	46.8	14.0	53.1	12.8	10.1	8.1	28.2	15.5
<b>Total</b>	<b>260.4</b>	<b>100.0</b>	<b>332.9</b>	<b>100.0</b>	<b>415.3</b>	<b>100.0</b>	<b>123.9</b>	<b>100.0</b>	<b>182.4</b>	<b>100.0</b>

### Selected financial ratios

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

Selected Ratios	Formulae	As at/for the year ended 31 March			For the four months ended
		2013	2014	2015	31 July 2015
Return on assets	Net profit/total assets x 100%	13.3%	8.3%	24.8%	N/A (Note 1)
Return on equity	Net profit/total equity x 100%	33.3%	26.6%	62.0%	N/A (Note 1)
Gearing ratio	Total debt/total equity (Note 2)	82.9%	51.1%	25.1%	22.3%



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Selected Ratios	Formulae	As at/for the year ended 31 March			For the
		2013	2014	2015	four months ended 31 July 2015
Current ratio	Current assets/current liabilities	1.7 times	1.3 times	1.4 times	1.6 times
Quick ratio	(Current assets – inventories)/ current liabilities	1.7 times	1.3 times	1.4 times	1.6 times
Interest coverage	Profit before interest and tax/finance costs	18.5 times	15.2 times	61.1 times	107.6 times

*Notes:*

1. Calculation of return on assets and return on equity is on a full year basis.
2. Total debt includes bank overdrafts, bank loans and obligations under finance leases.

As at 31 July 2015, our gearing ratio decreased to approximately 22.3% and our interest coverage increased to 107.6 times which was attributed to our repayment of bank borrowings during Track Record Period which reduced our total debt and our finance cost. For further analysis, please refer to the paragraph headed “Financial Information — Analysis of selected financial ratios” in this prospectus.

### RECENT DEVELOPMENTS OF OUR GROUP SUBSEQUENT TO THE TRACK RECORD PERIOD

Subsequent to the Track Record Period, our Group declared and paid an interim dividend of HK\$42.0 million and HK\$30.0 million in August and November 2015 respectively. Our Group further declared an interim dividend of HK\$30.0 million in November 2015 and subsequently paid in December 2015.

Save as disclosed under the paragraph headed “Business — Litigation and potential claims”, as at the Latest Practicable Date, no member of our Group nor any of our Directors were subject to any claims, potential claims, litigations, arbitrations, bankruptcy, receivership proceedings, which are of material importance to our Group’s development.

With respect to our gross profit margin, as the reasons for increase in our gross profit margin for the year ended 31 March 2015 were mainly project specific and/or non-recurring in nature, and such effects may not occur in the year ending 31 March 2016, our Directors currently expect that our gross profit margin and net profit for the year will probably decrease for the year ending 31 March 2016. Furthermore, although our Directors currently do not expect significant decreases in the gross profit margins of our Group’s projects in progress for the year ending 31 March 2016 compared to those during the year ended 31 March 2015, our Group will probably be unable to sustain the approximately 28.1% gross profit margin for the year ended 31 March 2015 due to the timing of recognition of cost and revenue in different construction stages of projects in progress or awarded after the Track Record Period. For the four months ended 31 July 2015, our profit margin amounted to 27.3%. For further analysis, please refer to the paragraph headed “Financial Information — Recent developments of our Group subsequent to the Track Record Period” in this prospectus.

Our Directors confirm that, 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 since 31 July 2015 (being the date to which the latest audited combined financial statements of our Group were made up).

### CONTROLLING SHAREHOLDERS

Immediately after completion of the Share Offer but without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Adjustment Options and options which may be granted under the Share Option Scheme, our Controlling Shareholders will together control the exercise of 75% of our Company’s entire issued share capital. Mr. Jim, JJ1318, Mr. Chui, MM1318 and YH Assets are Controlling Shareholders. Mr. Jim through JJ1318 holds 51% of YH Assets whereas Mr. Chui through MM1318 holds 49% of YH Assets. YH Assets directly holds 75% of our Company’s entire issued share capital upon Listing.

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Mr. Jim had been appointed as an Authorised Signatory of a third party construction company, which was a specialist contractor in the site formation works category under the Buildings Department since 2000 until June 2015. During this period, Mr. Jim had not supervised any site formation works project nor signed any documents in the capacity of the Authorised Signatory of this company nor received any remuneration therefrom. Taking into account, among others, that at all material time (i) our Group might not be eligible to be registered as a specialist contractor in the site formation works categorised by the Buildings Department; (ii) the provision of site formation works contributed only an insignificant income to our Group; (iii) our Group can carry out site formation works through or under the supervision of the subcontractors or main contractors who are registered as a specialist contractor in site formation works as categorised by the Buildings Department; and (iv) the absence of involvement of Mr. Jim in this third party construction company's operation and management, our Directors take the view that Mr. Jim's appointment with this third party construction company would not have given rise to any conflict of interest between our Group and Mr. Jim. For further details, please refer to the section headed "Relationship with the Controlling Shareholders" in this prospectus. As at the Latest Practicable Date, apart from the business operated by members of our Group, our Controlling Shareholders and their respective associates and/or companies controlled by them do not have any interests in any form of business that competes or is likely to compete, directly or indirectly with the business of our Group.

### EMPLOYEE PREFERENTIAL OFFERING

Up to 1,248,000 Employee Reserved Shares, representing approximately 1% of the Offer Shares, are available for subscription by the Eligible Employees on a preferential basis. Directors and directors of any of our subsidiaries and their respective Affiliates shall not apply for Employee Reserved Shares under the Employee Preferential Offering, and they shall not apply for Public Offer Shares as members of the public in the Public Offer or apply for or indicate an interest in acquiring the Placing Shares under the Placing. All Eligible Employees may apply for Public Offer Shares in the Public Offer and the Employee Preferential Offering but may not apply for or indicate an interest in acquiring Placing Shares under the Placing. For further details, see "How to Apply for the Public Offer Shares and Employee Reserved Shares" in this prospectus.

### LISTING EXPENSES

The total amount of listing expenses and commissions will be borne by us in connection with the Share Offer is estimated to be approximately HK\$18.3 million based on the Offer Price of HK\$0.86 (being the mid-point of the Offer Price range as stated in this prospectus).

We incurred approximately HK\$9.1 million of listing expenses during the Track Record Period, which was recorded under administrative expenses. We expect to incur additional listing expenses of approximately HK\$9.2 million after the Track Record Period, of which approximately HK\$2.7 million is expected to be charged to the statements of comprehensive income for the year ending 31 March 2016 and the remaining balance of HK\$6.5 million is expected to be recorded as equity of our Company.

### OFFERING STATISTICS

	<b>Based on the minimum indicative Offer Price of HK\$0.69 per Share</b>	<b>Based on the maximum indicative Offer Price of HK\$1.03 per Share</b>
Market capitalisation at Listing ( <i>Note 1</i> )	HK\$345.0 million	HK\$515.0 million
Unaudited pro forma adjusted combined net tangible assets attributable to owners of the Company per Share ( <i>Note 2</i> )	HK\$0.47	HK\$0.56

*Notes:*

- (1) The calculation of our market capitalisation is based on 500,000,000 Shares which will be in issue immediately following completion of the Share Offer, but takes no account of any Shares which may be issued

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upon the exercise of the Adjustment Options and any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate to issue shares and general mandate to repurchase shares as described in the section headed "Share Capital" in this prospectus.

- (2) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share is calculated after the adjustments referred to in the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus and on the basis of a total 500,000,000 Shares were in issue assuming that the Share Offer has been completed on 31 July 2015 but takes no account of any Shares which may be issued upon the exercise of the Adjustment Options and any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate to issue shares and general mandate to repurchase shares as described in the section headed "Share Capital" in this prospectus. The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share would have been reduced to HK\$0.27 and HK\$0.35 per Share, based on the Offer Price of HK\$0.69 and HK\$1.03 per Share respectively, after taking into account the payment of the dividends in the sum of HK\$42.0 million and HK\$60.0 million declared by our Group in August and November 2015 respectively.

### USE OF PROCEEDS

We intend to implement the following future plans to grow our business and create value for our Shareholders by applying the aggregate net proceeds from the Share Offer (after deducting underwriting fees and estimated total expenses paid and payable by us in connection thereto) estimated to be approximately HK\$89.2 million in the following manner:

- (1) approximately HK\$53.7 million or approximately 60.2% of the net proceeds to expand capacity on foundation business and purchase new machineries and vehicles to improve operation efficiency and enhance the working capacity;
- (2) approximately HK\$26.0 million or approximately 29.1% of the net proceeds to expand capacity on tunneling business and purchase new machineries to enhance working capacity;
- (3) approximately HK\$7.1 million or approximately 8.0% of the net proceeds will be used to strengthen established position in the industry by increasing the management staff; and
- (4) approximately HK\$2.4 million or approximately 2.7% of the net proceeds will be used as general working capital of our Group.

The above is based on the Offer Price of HK\$0.86 per Share, being the mid-point of the proposed Offer Price range.

For further details on our Group's use by proceeds to acquire machineries, please refer to the section headed "Business — Business strategies" in this prospectus.

### DIVIDEND POLICY

A member of our Group declared interim dividend of nil, nil, HK\$40.0 million and HK\$25.2 million respectively for the years ended 31 March 2013, 2014 and 2015 and the four months ended 31 July 2015. Our Group also declared and paid interim dividend of HK\$42.0 million and HK\$30.0 million in August and November 2015 respectively. Our Group further declared an interim dividend of HK\$30.0 million in November 2015 and subsequently paid in December 2015. They were settled and financed by our internal resources. The declaration and payment of future dividends will be subject to the decision of the Board having regard to various factors, including but not limited to our operations and financial performance, profitability, business development, prospects, capital requirements and economic outlook. It is also subject to the approval of our Shareholders as well as any applicable laws. The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payout ratio. Prospective investors should note that historical dividend distributions are not indicative of our future dividend distribution policy and there is no guarantee that dividends will be paid in the future.

### LEGAL AND ADMINISTRATIVE PROCEEDINGS

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

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## SUMMARY

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### **RISK FACTORS**

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

While any of the risks and uncertainties could have a material adverse effect on our business, financial condition and results of operations or the trading price of the Shares and could cause our Shareholders to lose all or a portion of their investment, prospective investors should be aware of the major risk factors in relation to our operations, including that (i) our revenue is substantially derived from projects which are non-recurrent in nature, and there is no guarantee that our customers will provide us with new business or that we will secure new customers; (ii) our Group had a concentration of customers during the Track Record Period; (iii) our Group generates a significant portion of our revenue from a major customer; (iv) our Group competes with other service providers for a small number of customers in the tunneling business; and (v) our Group determines the contract price based on our estimated time and costs involved in the project, which may deviate from the actual time and costs.

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

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## DEFINITIONS

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*Unless the context otherwise requires, the following expressions have the following meanings in this prospectus. Certain other terms are explained in the sections headed “Glossary of technical terms”.*

“Adjustment Options”	the Offer Size Adjustment Option and the Over-allotment Option
“Affiliate(s)”	<p>in relation to a director of any member of the Group means:</p> <ul style="list-style-type: none"><li>(i) a close associate (as defined in Rule 1.01 of the Listing Rules) of such director;</li><li>(ii) any person whose acquisition of Shares has been financed directly or indirectly by such director or the close associate of such director; or</li><li>(iii) any person who is accustomed to take instructions from such director or close associate of such director in relation to the acquisition, disposal, voting or other disposition of Shares registered in that person’s name or otherwise held by that person</li></ul>
“Application Form(s)”	<b>WHITE, YELLOW, GREEN and PINK</b> Application Form(s), or where the context so requires, any one of them, relating to the Public Offer
“Articles” or “Articles of Association”	the articles of association of our Company adopted on 25 November 2015 and with effect from the Listing Date, and as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of Directors
“Business Day” or “business day”	a day on which banks in Hong Kong are generally open for banking business to the public and which is not (i) a Saturday, Sunday or public holiday in Hong Kong or (ii) a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.
“BVI”	the British Virgin Islands

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## DEFINITIONS

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“CAGR”	compound annual growth rate, a method of assessing the average growth of a value over time
“Capitalisation Issue”	the issue of 374,999,900 new Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in the section headed “Statutory and General Information” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	including a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	People’s Republic of China, which excludes for the purpose of this prospectus, Hong Kong, Macau and Taiwan
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, modified and supplemented from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Yee Hop Holdings Limited (義合控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 12 February 2015

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## DEFINITIONS

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“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“construction work(s)”	collectively, the foundation and other civil work(s); and tunneling work(s)
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and, unless the context requires otherwise, refers to Mr. Jim, Mr. Chui, JJ1318, MM1318 and YH Assets
“Counsel”	Mr. Tsang Kwok Kei, David, barrister-at-law of Hong Kong
“Deed of Indemnity”	the deed of indemnity relating to Share Offer of 125,000,000 Shares in our Company dated 25 November 2015 entered into by each of the Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries), the particulars of which are set out in the paragraph headed “F. Other Information — 1. Tax and Other Indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 25 November 2015 made by our Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries), which contains certain non-competition undertakings given in favour of our Group, the particulars of which are set out in the section headed “Relationship with the Controlling Shareholders” of this prospectus
“Director(s)” or “our Directors”	director(s) of our Company
“Eligible Employees”	all full-time employee(s) of our Group who joined our Group on or before the Latest Practicable Date and who (a) is at least 18 years of age; (b) has a Hong Kong address and is a holder of a Hong Kong Identity Card; (c) remains as a full-time employee of our Company or any of our subsidiaries, and is not on probation, as at the Latest Practicable Date; (d) has not tendered resignation or been given notice of termination of employment for any reason other than redundancy or retirement on or before the Latest Practicable Date; (e) is not the chief executive or directors of our Company or our subsidiaries; (f) is neither an, nor a close associate of an, existing beneficial owner of Shares or of shares of any of our subsidiaries; and (g) is not any other core connected persons of our Company

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## DEFINITIONS

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“Employee Preferential Offering”	the offer of up to 1,248,000 Public Offer Shares to Eligible Employees as described in the paragraph headed “Structure and Conditions of the Share Offer — Employee Preferential Offering” in this prospectus
“Employee Reserved Shares”	the 1,248,000 Public Offer Shares (representing approximately 1% of the Offer Shares available under the Share Offer) available in the Employee Preferential Offering which are to be allocated out of the Public Offer Shares
“Government” or “Hong Kong Government”	the government of Hong Kong
“GREEN Application Form(s)”	the application form(s) to be completed by HK eIPO White Form Service Provider, designated by our Company
“Group”, “our Group”, “we”, “our” or “us”	our Company and our subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries pursuant to the Reorganisation, its present subsidiaries
“HK\$” or “Hong Kong dollar(s)” or “HKD” or “cents” or “\$”	Hong Kong dollars and cents respectively, the lawful currency for the time being of Hong Kong
“HK eIPO White Form”	the application for issue of Public Offer Shares in the applicant’s own name by submitting applications online through the designed website at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designed by our Company, as specified on the designated website at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“HKFRS(s)”	Hong Kong Financial Reporting Standard(s)
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HKSAR”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Share Registrar”	Tricor Investor Services Limited, our Hong Kong branch share registrar and transfer office



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## DEFINITIONS

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“Independent Third Party(ies)”	individual(s) or a company(ies) who is (or are) independent of and not a connected person or connected persons (within the meaning of the Listing Rules) with any directors, chief executive or substantial Shareholders (within the meaning under the Listing Rules) of our Company, any of its subsidiaries or any of their respective associates
“Internal Control Consultant”	SHINEWING Risk Services Limited, the internal control consultant of our Company
“Ipsos”	Ipsos Limited, an independent market research firm
“Ipsos Report”	an independent market research report in respect of the construction industry in Hong Kong, prepared by Ipsos which was commissioned by our Company
“JJ1318”	JJ1318 Holdings Limited, a company incorporated in BVI on 2 February 2015 with limited liability, which is wholly owned by Mr. Jim and is a Controlling Shareholder of the Company
“Joint Bookrunners”	Ping An of China Securities and China Investment Securities International Brokerage Limited and “Joint Bookrunner” means anyone of them
“Joint Lead Managers”	Aristo Securities Limited and Sinolink Securities (Hong Kong) Company Limited and “Joint Lead Manager” means anyone of them
“Latest Practicable Date”	30 November 2015, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its printing
“laws”	include all laws, rules, regulations, guidelines, opinions (whether formally published or not), notices, circulars, orders, judgements, decrees or rulings of any court, government, governmental or regulatory authority whether or not ejusdem generis with any of the foregoing (including, without limitation, the Stock Exchange) and “law” shall be construed accordingly
“Listing”	the listing of the Shares on the Main Board
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date on which dealings in the Shares on the Main Board first commence

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## DEFINITIONS

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“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange (as amended, supplemented or otherwise modified from time to time)
“Macau”	The Macau Special Administrative Region of the PRC
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company, adopted on 25 November 2015 and with effect from the Listing Date, and as amended from time to time
“MM1318”	MM1318 Holdings Limited, a company incorporated in BVI on 2 February 2015 with limited liability, which is wholly owned by Mr. Chui and is a Controlling Shareholder of the Company
“Mr. Chui”	Mr. Chui Mo Ming (徐武明), an executive Director and a Controlling Shareholder
“Mr. Jim”	Mr. Jim Yin Kwan Jackin (詹燕群), an executive Director and a Controlling Shareholder
“Mr. Pang”	Mr. Pang Wai (彭偉), an ex-shareholder and ex-director of Y.H. Foundations
“MTRC”	MTR Corporation Limited
“Offer Price”	the final price per Offer Share in Hong Kong dollar (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$1.03 and not less than HK\$0.69 at which the Offer Shares are to be subscribed for and issued pursuant to the Share Offer, to be determined as described under the paragraph headed “Structure and Conditions of the Share Offer — Determining the Offer Price” in this prospectus
“Offer Shares”	the Public Offer Shares and the Placing Shares, together with, where relevant, any additional Shares issued pursuant to the exercise of the Adjustment Options

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## DEFINITIONS

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“Offer Size Adjustment Option”	the option expected to be granted by our Company to the Sole Global Coordinator (for itself and on behalf of the Placing Underwriters) under the Placing Underwriting Agreement exercisable prior to Listing, pursuant to which our Company may be required to allot and issue up to an aggregate of 18,750,000 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-allotment in the Share Offer
“other civil works”	minor civil engineering works
“Over-allotment Option”	the option expected to be granted by our Company to the Placing Underwriters, exercisable by the Sole Global Coordinator (for itself and on behalf of the Placing Underwriters) subject to the terms and conditions of the Placing Underwriting Agreement pursuant to which our Company may be required to allot and issue up to an aggregate of 18,750,000 additional Offer Shares (representing 15% of the initial number of Offer Shares) to cover over-allocations in the Placing and/or to satisfy the obligation of the Stabilising Manager to return securities borrowed under the Stock Borrowing Agreement
“ <b>PINK</b> Application Form(s)”	the application form(s) to be sent to Eligible Employees to subscribe for Offer Shares pursuant to the Employee Preferential Offering
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters with professional, institutional, corporate and/or other investors at the Offer Price, as further described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Shares”	the 112,500,000 Offer Shares initially being offered by us for subscription at the Offer Price under the Placing together with, where relevant, any additional Shares which may fall to be issued pursuant to the exercise of the Adjustment Options (subject to adjustments as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus)
“Placing Underwriters”	the underwriters in the Placing

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## DEFINITIONS

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“Placing Underwriting Agreement”	the conditional underwriting agreement relating to the Placing which is expected to be entered into by, among others, our Company, our Controlling Shareholders, executive Directors, the Sole Global Coordinator and the Placing Underwriters on or around the Price Determination Date, as further described in the paragraph headed “Underwriting — The Placing” in this prospectus
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
“Price Determination Agreement”	the agreement to be entered into between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on or around the Price Determination Date to fix the Offer Price
“Price Determination Date”	the date, expected to be on or about Friday, 11 December 2015, on which the Offer Price is fixed by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company and, in any event, no later than Saturday, 12 December 2015
“Public Offer”	the offer by our Company of the Public Offer Shares for subscription by the public in Hong Kong as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) and on and subject to the terms and conditions stated herein and in the Application Forms relating thereto
“Public Offer Shares”	the 12,500,000 Shares being initially offered for subscription by our Company at the Offer Price under the Public Offer (subject to reallocation as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus)
“Public Offer Underwriters”	the underwriters of the Public Offer, whose names are set out in the paragraph headed “Underwriting — Public Offer Underwriters” in this prospectus

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## DEFINITIONS

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“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 7 December 2015 relating to the Public Offer entered into among our Company, our Controlling Shareholders and executive Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters, as further described in the paragraph headed “Underwriting — Public Offer Underwriting Agreement” in this prospectus
“Reorganisation”	the corporate reorganisation of our Group conducted in preparation for the Listing, details of which are set out in the section headed “History, Reorganisation and Corporate Structure” to this prospectus
“Reporting Accountants”	SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of our Company
“SFC” or “Securities and Futures Commission”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of our Company
“Share Offer”	the Public Offer and Placing
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on 25 November 2015, the principal terms of which are summarised under the paragraph headed “E. Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	shareholder(s) of our Company from time to time
“Sole Global Coordinator” or “Ping An of China Securities”	Ping An of China Securities (Hong Kong) Company Limited, a licensed corporation under the SFO permitted to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities, acting as the sole global coordinator of the Share Offer

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## DEFINITIONS

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“Sole Sponsor” or “Ping An of China Capital”	Ping An of China Capital (Hong Kong) Company Limited, a licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activity, acting as the sole sponsor to our Company’s application for the Listing
“Stabilising Manager”	Ping An of China Securities
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers of Hong Kong
“Track Record Period”	the period consisting of the three financial years ended 31 March 2013, 2014, 2015 and the four months ended 31 July 2015
“Underwriters”	the Placing Underwriters and the Public Offer Underwriters
“Underwriting Agreements”	the Placing Underwriting Agreement and the Public Offer Underwriting Agreement
“US\$” or “U.S. dollar(s)” or “USD”	United States dollars, the lawful currency for the time being of the United States
“ <b>WHITE</b> Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s or applicants’ own name(s)
“Yee Hop Construction”	Yee Hop Construction Company Limited (義合建築有限公司) (formerly known as Y.H. Construction Company Limited (怡協建築有限公司)), a company incorporated in Hong Kong on 11 March 1998 with limited liability and wholly owned by YH Construction BVI and an indirect subsidiary of the Company
“Yee Hop Engineering”	Yee Hop Engineering Company Limited (義合工程有限公司) (formerly known as Milicores Engineering Limited (美合工程有限公司)), a company incorporated in Hong Kong on 10 January 1989 with limited liability and wholly owned by YH Engineering BVI and an indirect subsidiary of the Company
“YH Assets”	Yee Hop Assets Limited, a company incorporated in BVI on 5 February 2015 with limited liability and a Controlling Shareholder

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## DEFINITIONS

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“YH Construction BVI”	YH Construction Holdings Limited, a company incorporated in BVI on 16 February 2015 with limited liability and wholly owned by YH Investments and a subsidiary of the Company
“YH Engineering BVI”	YH Engineering Holdings Limited, a company incorporated in BVI on 16 February 2015 with limited liability and wholly owned by YH Investments and a subsidiary of the Company
“Y.H. Foundations”	Y.H. Foundations Limited (義合地基有限公司) (formerly known as Y.H. Foundations Limited (一帆地基有限公司)), a company incorporated in Hong Kong on 31 July 2012 with limited liability and wholly owned by YH Foundations BVI and an indirect subsidiary of the Company
“YH Foundations BVI”	YH Foundations Holdings Limited, a company incorporated in BVI on 19 February 2015 with limited liability and wholly owned by YH Investments and a subsidiary of the Company
“YH Investments”	Yee Hop Investments Limited (義合投資有限公司), a company incorporated in BVI on 12 February 2015 with limited liability and wholly owned by the Company
“ <b>YELLOW</b> Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS
“m”	meter
“mm”	millimeter
“%”	per cent.

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

*If there is any inconsistency between the Chinese names of entities and their English translations, the Chinese names shall prevail. The English translation of company names in Chinese or another language which are marked with “\*” and the Chinese translation of company names in English which are marked with “\*” is for identification purpose only.*

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## GLOSSARY OF TECHNICAL TERMS

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

“Approved Contractors List(s)”	collectively, the Approved Public Works Contractors List and the Approved Specialist List
“Approved Public Works Contractors List”	<p>List of Approved Contractors for Public Works as kept by the Development Bureau, which are further divided into Group A, B or C according to the value of contracts for which they are normally eligible to tender:</p> <p>Group A — for contracts of value up to HK\$75 million;</p> <p>Group B — for contracts of value up to HK\$185 million;</p> <p>Group C — for contracts of any value exceeding HK\$185 million; and</p> <p>P denotes probationary status in the group indicated, which the number and value of contracts for which contractors are eligible to tender and to be awarded are limited</p>
“Approved Specialist List”	List of Approved Suppliers of Materials and Specialist Contractors for Public Works as kept by the Development Bureau
“Authorised Signatory” or “AS”	the appointed person to act for a registered contractor for the purpose of the Buildings Ordinance
“Building Authority”	Building Authority of the Hong Kong Government
“Buildings Department”	Buildings Department of the Hong Kong Government
“Buildings Ordinance”	Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“CEDD”	Civil Engineering & Development Department of the Hong Kong Government



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## GLOSSARY OF TECHNICAL TERMS

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“civil engineering”	the design and/or construction of structures, infrastructures, airports, roads and railways, bridges and tunnels; utilities installations; geotechnical and underground works; marine power stations, industrial plants, and refineries (all excluding major electrical and mechanical works); public amenities and facilities with structural or the aforementioned content. Excluded from “civil engineering” are residential, public and office buildings and public amenities and facilities which are largely architecturally driven
“Construction Industry Council” or “HKCIC”	Hong Kong Construction Industry Council
“cut-and-cover”	a construction technique involves first excavating a trench and then roofing over with a strong overhead support system
“Development Bureau”	Development Bureau of the Hong Kong Government
“displacement piles”	displacement piles comprise piles which are driven or jacked into the ground and thus displace the soil
“Environment Impact Assessment Ordinance” or “EIA Ordinance”	the Environment Impact Assessment Ordinance (Chapter 499 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“FIU Ordinance”	Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Housing Authority”	Hong Kong Housing Authority
“Housing Society”	Hong Kong Housing Society
“ISO”	an acronym for a series of quality management and quality assurance standards published by International Organization for Standardization, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“ISO 9001”	quality management systems model published by ISO for quality assurance in design, development, production, installation and servicing
“ISO 14001”	environmental management system requirements published by ISO

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## GLOSSARY OF TECHNICAL TERMS

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“ISO 50001”	energy management system requirements published by ISO
“jacking”	the actual pushing of pipe or casing in an excavated hole
“jacking shaft”	an excavation, by hand or by jacking machine, in the earth of specified length, depth and width for placing the pipes, casings or the like on the required line and grade
“Labour Department”	the Labour Department of the Hong Kong Government
“main contractor”	in respect of a construction project, a contractor appointed by the project employer or its construction consultant, who generally oversees the progress of the entire construction project and delegate different work tasks of the construction to other contractors
“mini-pile(s)”	a type of piles which consist of one or more steel bars encased by grout inside a borehole, which in general does not exceed 400 mm in diameter
“OHSAS”	Occupational Health and Safety Assessment Specification, an international assessment specification for occupational health and safety management systems
“OHSAS 18001”	the requirements for occupational health and safety management system developed for managing health and safety risks associated with a business
“percussive piling(s)” or “driven H-piling(s)” or “steel H-pile(s)”	a type of construction activity by sinking or driving a pile by direct or indirect hammering or other percussive means, including piling by the use of a drop hammer, diesel hammer, double acting hammer, single acting hammer, internal drop hammer, pneumatic hammer, steam hammer or other percussive device, other than a device that is portable and designed for operation while held by hand without any other form of support
“pile cap”	a reinforced concrete structure constructed on top of the pile, which is used to transfer the superstructure load to the pile
“pipe jacking”	a system of directly installing pipes behind a shield machine by hydraulic jacking from a driveshaft such that the pipes form a continuous string in the ground

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## GLOSSARY OF TECHNICAL TERMS

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“PNRC 38”	Practice Note for Registered Contractors 38 — Registration of General Building Contractors and Specialist Contractors issued by the Buildings Department from time to time covering the registration of general building contractors and specialist contractors with the Buildings Department
“private sector”	a composition of organisations that are not owned or operated by the Government, public utility companies or statutory bodies
“public sector”	a composition of organisations that are owned or operated by the Government, public utility companies or statutory bodies
“reception shaft”	excavation into which trenchless technology equipment is driven and recovered following the installation of the product pipe, conduit or cable
“registered contractor”	a contractor which is on the List of Registered Contractors maintained by the Buildings Department
“Registered General Building Contractor”	a person whose name is on the register of general building contractors maintained under section 8A of the Buildings Ordinance from time to time
“Registered Specialist Contractor”	a person whose name is on the register of specialist contractors maintained under section 8A of the Buildings Ordinance from time to time
“replacement piles”	replacement piles are formed by first removing the soil by boring using a wide range of drilling techniques. Concrete, preformed elements of timber, concrete or steel may be placed in drilled holes to form the piles
“shield”	a structure that is able to withstand the forces imposed on it by a cave-in and thereby protect employees or machineries within the structure
“socketed H-pile(s)” or “rock socketed steel H-pile(s) in pre-bored hole”	a type of pile formed by drilling holes on the ground and then insert a prefabricated steel H-pile into the borehole and subsequently grouting the hole with cementitious materials
“subcontractor”	in respect of a construction project, a subcontractor appointed by the main contractor or another subcontractor involved in the construction, who generally carries out specific work tasks of the construction

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## GLOSSARY OF TECHNICAL TERMS

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“superstructure”	the structure which is above ground
“Technical Director(s)”	in respect of any registered contractor which is a corporate entity, a director authorised by the board of directors of such contractor to ensure the works are carried out in accordance with the Buildings Ordinance
“tonne”	metric ton, representing 1,000 kilograms
“trenchless works”	the installation, replacement or renewal of underground utilities without breaking the ground and surface disruption
“WBDB”	Works Branch of the Development Bureau

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## FORWARD-LOOKING STATEMENT

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This prospectus contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management, as such they are by their nature subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies, plans, objectives and goals;
- the nature of, and potential for, future development of our business;
- various business opportunities that we may pursue;
- changes in competitive conditions and our ability to compete under these conditions;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- our expectations with respect to our ability to acquire and maintain regulatory qualifications required to operate our business;
- future developments, trends and conditions in the industry and markets in which we operate;
- our future debt levels and capital needs;
- our financial conditions and performance; and
- our dividend policy.

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

Subject to the requirements of the Listing Rules, our Company does not have any obligation and does not undertake to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or developments or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way our Company expects, or at all. Hence, should one or more of these risks or uncertainties materialise, or should underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on such

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## **FORWARD-LOOKING STATEMENT**

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forward-looking information. All forward-looking statements in this prospectus are qualified by reference to the cautionary statement set out in this section.

In this prospectus, statements of or references to the intentions of our Company 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.

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## RISK FACTORS

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*You should consider carefully all the information set out in this prospectus and, in particular, should consider and evaluate the following risks and uncertainties associated with an investment in our Company before making any investment decision in relation to our Company. The business, financial position, or results of business operation of our Group can be materially and adversely affected by any of these risks. The market price of the Offer Shares could fall significantly and you may lose all or part of your investment.*

### **RISKS RELATING TO OUR BUSINESS**

**Our revenue is substantially derived from projects which are non-recurrent in nature, and there is no guarantee that our customers will provide us with new business or that we can secure new contracts**

Our Group is principally engaged in the construction industry in Hong Kong focusing on the provision of foundation and other civil works; and tunneling works. Our services are provided on a project-by-project and non-recurring basis, and we do not have any long term commitment with our customers. Thus, the number of our customers may vary from year to year. As at the Latest Practicable Date, we had 17 projects in progress. Upon completion of these on-going contracts, in the event that our Group is unable to secure new contracts or has not commenced work for any of our new contracts, our revenue and financial performance may be adversely affected. Therefore, our future growth and success depends on, among other things, our ability to continue securing tenders and contract awards and our ability to secure new customers. We cannot guarantee that our existing customers would continue providing us with new business opportunities beyond completion of current projects or would be able to seek for new customers. If our customers do not provide us with new businesses or if we are not able to seek for new customers, our future revenue and profit would be adversely affected.

### **Our Group had a concentration of customers during the Track Record Period**

During the Track Record Period, we recognised revenue from 17, 15, 14 and eight customers. Our five largest customers during the Track Record Period accounted for approximately 86.4%, 85.5%, 96.8% and 96.1% respectively, of our revenues during the corresponding periods; whereas our largest customer accounted for approximately 52.8%, 52.0%, 52.0% and 55.3% of our revenues for the corresponding periods, respectively. These major customers may continue to account for similar or even higher proportion of our revenue in the future.

In light of the above, we face the risks associated with having a concentration of customers in the future. Furthermore, we generally do not enter into long-term contracts with our major customers, except Customer C. There is no assurance that any of our major customers will continue to engage us as they do currently, or engage us at the same contracting rate.

If there is any deterioration in our major customer's businesses, the number of contracts placed by them with us may also decline correspondingly.

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## RISK FACTORS

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If any of our major customers reduces the number of contracts placed with us significantly or ceases its business relationships with us, we cannot assure you that we would be able to find new customers to engage us on comparable terms, or at all, in which case our business, operating results and financial condition may be materially and adversely affected. In the event of defaulting payments by any of our major customers, we may be unable to recover significant amounts of receivables and thus our cash flows, business and financial position could be adversely affected.

**We generate a significant portion of our revenue from Customer A and any decrease or loss of business from Customer A could adversely and substantially affect our operations and financial conditions**

Our Group in the past derived a significant portion of our revenue from our largest customer, Customer A. For each of the years ended 31 March 2013, 2014, 2015 and the four months ended 31 July 2015, the revenue from Customer A accounted for approximately 52.8%, 52.0%, 52.0% and 55.3% of our Group's total revenue. We expect to continue to derive a significant amount of our revenue from Customer A in the near future given the long term relationship and the contracts on hand with Customer A currently. In the event of Customer A terminating its business relationship with our Group, we may not be able to secure another major customer on a timely basis. There is no assurance that Customer A will continue to be satisfied with our services, or Customer A will continue to be our customer. Accordingly, should there be any adverse development specific to Customer A's operations or any other reasons resulting in the termination of our business relationship with Customer A, our business, financial condition and results of operation could be adversely affected.

**Our Group competes with other service providers for a small number of customers in the tunneling works. Any substantial reduction of contracts awarded by these customers in relation to our tunneling works may have an adverse effect on our Group's tunneling business, operations and financial results**

In respect of our tunneling works, we had a relatively small customer base during the Track Record Period. Such a situation is not uncommon to our Group and other contractors engaged in tunneling works given that according to the Ipsos Report, the demand of tunneling service is dominated by the Government, public utility companies (including the two electricity supply companies) and MTRC. Our Group has established long and stable business relationships with the two electricity supply companies in Hong Kong, which have had business relationships with us for over seven years. We have also started engaging in Government tunneling works in Hong Kong since 2002. However, there is no assurance that our existing customers related in tunneling works will continue to provide us with new contracts or that we will be able to secure new customers to engage us in carrying out tunneling works. In the event that we are unable to maintain business relationships with our existing customers or secure new customers, our revenue and results of operations will be adversely affected.

**Our Group determines the contract price based on our estimated time and costs involved in the project. The actual time and costs may deviate from our estimations. Inaccurate estimation or ineffective cost management may adversely affect our Group's financial results**

During the Track Record Period, most of the projects awarded to us were secured through tendering. In preparation of our tenders or quotations, we base on our estimation on available



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## RISK FACTORS

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information provided to us by potential customers and taking into account our then prevailing level of available resources including our machineries and equipment, labour costs, construction materials, and the length and complexity of relevant projects. We may suffer losses if there is any underestimation or overrun, therefore our tenders or quotations may have inherent risks, such as the risk of losses from underestimated costs, unforeseen difficulties in completing the projects or incidents that may cause increase in our any unexpected time or cost.

For example, our operating costs and gross profits may vary substantially from our original estimates as a result of:

- our failure to accurately estimate the cost of engineering, construction materials, machinery and equipment, labour or subcontractors;
- any difficulty in sub-soil condition which may cause foundation constructions or tunneling works to be more technically complex than initially anticipated;
- any unanticipated technical problems requiring us to incur additional time and costs;
- any failure of our subcontractors in performing sub-contracted works may force us to incur additional costs in replacing the defaulting subcontractor or carrying out the rectification works; and
- any exacerbation of any or most of the aforesaid factors alongside with the growth of the projects in terms of both their size and complexity.

Once we are awarded with a contract, its value, like most of our other projects, would then be fixed and determined upon signing of the contract. If we are unable to maintain our costs within our original estimations in the course of carrying out the contract; or if we are not able to fully cover any increases in costs such as those arising from overruns during the course of the project; or if the additional works undertaken by us are not covered in the variation orders provided in the contracts, our financial results would be adversely affected.

**Our business has to be operated with various registrations, certifications and licences and the loss of or failure to obtain and/or renew any or all of these registrations, certifications and/or licences could materially and adversely affect our business**

In accordance with the laws of Hong Kong, our Group is required to obtain/maintain certain registrations and/or certifications in order to operate our business. For details, please refer to the section headed “Laws and Regulations” in this prospectus. To continue to conduct our business in carrying out construction works, we are required to maintain operating qualifications and licences. Please refer to the paragraph headed “Business — Major certifications” in this prospectus for further details.

These registrations, certificates and/or licences are granted/renewed and maintained upon our satisfactory compliance with, among others, the applicable criteria set by the relevant government departments or organisations. Such criteria may include the maintenance of certain financial requirements including our working capital level. These registrations

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## RISK FACTORS

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and/or certificates may only be valid for a limited period of time and may be subject to periodic reviews and renewals by government authorities or relevant organisations. For instance, contractors registered with the Development Bureau are subject to a regulatory regime for the purpose of ensuring that the contractors who will take up the Governments works can meet the required standards in terms of their financial capability, expertise, management and safety. We cannot assure you that all these required registrations, certificates or licences can be maintained or obtained/renewed in a timely manner or at all. Any changes in the existing policies by the government authorities in relation to the construction/foundation industries to which we provide our services may result in our failure to obtain or maintain such relevant registrations, certificates and/or licences. If we cannot obtain and/or renew these registrations, certificates and/or licences, we may have to temporarily suspend the relevant businesses operated by us, which would have a material adverse effect on our business and results of operations.

**Our Group relies on the use of machineries and equipment in carrying out construction works and any break-down of such machineries and equipment will disrupt our operation and progress of the projects**

The construction works undertaken by us require the use of a wide range of machineries and equipment such as crawler cranes, piling rigs, and pipe jacking systems. Accordingly, the number of projects, or amount of construction works that can be executed by our Group simultaneously at any given time, is limited by the availability of our resources such as the capacity of our machineries and equipment to carry out the construction works. On the other hand, if there are any unexpected breakdowns of our machineries and equipment during the construction process of projects, we may face difficulties in sourcing replacements or having the machineries and equipment repaired in time. Generally, the delivery time of these machineries and equipment ranges from four weeks to four months, depending on the type, origin and availability of the relevant machineries and/or equipment. Our work progress may have to be delayed, whereby we may have to pay liquidated damages to our customers according to the terms of the contract between our customers and us.

Repair and maintenance of our machineries and equipment is usually provided by either our in-house maintenance team or by external service providers. If there are any failures or break-down of our machineries and equipment or any loss of service due to any inferior or insufficient repair and maintenance works, our operation and business may be adversely affected.

**Our historical results may not be indicative of our future revenue and profit margin**

Given that our construction business is project-based, and that our fees and profit margins in respect of the relevant construction projects are dependent on the price of our tender, which may be affected by factors that are specific to the project, such as the length of the contract period, the sub-soil condition of the relevant construction sites and the expected costs of the construction works, there is no assurance that we will always be able to maintain similar levels of profitability as those during the Track Record Period.

During the Track Record Period, our gross profit amounted to approximately HK\$60.6 million, HK\$71.5 million, HK\$162.1 million and HK\$68.7 million respectively and our gross profit margin amounted to approximately 18.9%, 17.7%, 28.1% and 27.3% respectively. We

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may not be able to sustain our historical gross profit and gross profit margin for various reasons, including but not limited to, our Group's ability to devise cost saving construction processes which is acceptable by our customers, timing of recognition of cost and revenue in different construction stages and the outcome of the negotiation of value of variation works or final accounts with our customers. For detailed analysis of our Group's gross profit and gross profit margin, please refer to the paragraph headed "Financial Information — Period to period comparison of results of operations" in this prospectus.

Further, for the years ended 31 March 2013, 2014, 2015 and the four months ended 31 July 2015, our revenue amounted to approximately HK\$321.0 million, HK\$404.4 million, HK\$577.3 million and HK\$251.1 million respectively. For the same period, our net profits amounted to approximately HK\$22.2 million, HK\$24.2 million, HK\$86.6 million and HK\$41.8 million respectively. Besides, our Group did not and will not concentrate on a particular segment, nor allocate resources in strictly equal proportions to each of two segments, namely the foundation and other civil works segment and the tunneling works segment. For each of the three years ended 31 March 2013, 2014, 2015 and the four months ended 31 July 2015, as disclosed in the table in the paragraph headed "Business — Overview — Principal business activities" in this prospectus, revenue generated from each of the two segments of our Group fluctuated during the Track Record Period.

Such trends of the historical financial information of our Group is only an analysis of our past performance. It does not have any positive implication, nor would it necessarily reflect our financial performance in the future, which will largely depend on our capability to secure new contracts and control our costs and expenditures and project implementation. Profit margins and income of our Group's construction projects may fluctuate from project to project, and the historical revenue from our construction projects may not be indicative of our future revenue or profitability. Prospective investors should be aware of the risk of our Group's failure to secure future contracts when considering our Group's financial results.

### **Any significant increase in construction material costs and substandard construction materials may have adverse impacts on our financial results**

Our principal construction materials include cement and concrete; and steel. During the Track Record Period, the costs of construction materials and accessories were approximately HK\$83.1 million, HK\$136.0 million, HK\$147.7 million and HK\$58.1 million respectively, representing approximately 31.9%, 40.9%, 35.6% and 31.8% of our total cost of services, respectively.

Generally, we prepare tenders based on our estimated project costs (which mainly include wages and construction material costs) plus a mark-up margin. However, the related actual material costs cannot be ascertained accurately when we prepare tenders or quotations. Any unexpected material fluctuations in such charges or costs during the course of execution of our projects may affect our profitability. For further details, please refer to the sensitivity analysis illustrating the impact of hypothetical fluctuations in the costs of cement and concrete; and steel on our profit before tax for the Track Record Period as set out in the section headed "Financial Information" in this prospectus.

There is no guarantee that the quality of construction materials supplied to our Group will always meet our required standards, and we may be forced to replace these construction

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materials from other suppliers at additional costs, which will also cause delay to the completion of the project. Furthermore, we cannot guarantee that the cost of construction materials will be stable. If we are unable to factor these potential fluctuations into our tenders or quotations and pass all or part of such additional costs to our customers, or reduce other costs, our financial results and position may be materially and negatively affected.

### **Construction litigation and disputes may adversely affect our Group's performance**

Owing to the nature of our business, we are exposed to the risks of getting into disputes with our customers, subcontractors, workers and other parties concerned with our projects of various reasons. Such disputes may be in connection with the delivery of substandard works, late completions of works, labour compensations or personal injuries in relation to the works. For example, contractual claims may arise regarding the payment of outstanding contract fees with our subcontractors, and personal injuries compensation claims may arise in relation to any industrial accidents happened in our construction sites. Please refer to the paragraph headed "Business — Litigation and potential claims" in this prospectus for further information on the disputes or litigation we encountered during the Track Record Period.

Our management's attention and internal resources may be significantly diverted for the handling of such contractual disputes, litigations and other legal proceedings, which can be both costly and time consuming. Regardless of the merits of the case, these disputes may damage our relationship with the relevant customers, suppliers, subcontractors or workers, which may affect our reputation in the construction industry, thus adversely affect our business operations, financial results and profitability.

### **Our liquidity position may be adversely affected if the progress payment or the retention money is not paid to us on time or in full**

We normally apply for progress payments each month, and subsequently receive progress payments from our customers, who either the main contractor when we act as a subcontractor, or the ultimate owner of the project when we act as the main contractor. A progress payment is generally made monthly by reference to the value of works done in that month. A portion of the contract value (which is generally subject to a maximum of 5% of the total contract value) is usually withheld by our customers as retention money. During the years ended 31 March 2013, 2014, 2015 and the four months ended 31 July 2015, retention receivables of approximately HK\$14.1 million, HK\$29.3 million, HK\$35.9 million and HK\$44.1 million respectively were retained by our customers.

We rely on cash inflow from our customers to meet our payment obligations to our suppliers and subcontractors which provide us with construction materials and subcontracting services to complete our construction works. Progress payments will not always be paid to us on time and in full. We would experience significant cash flow mismatch when there is a significant timing difference between making payments to our suppliers and subcontractors and receiving payments from customers. The retention money or any future retention money may not be paid by our customers to us on a timely basis or in full due to the examination process of completed works, which may give rise to disputes. When there is any significant delay in the examination process or dispute arises with respect to the works completed, it may result in delays in payments. Further, our customers tend to make changes to the original design or require additional services through variation orders. However, the additional works

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## **RISK FACTORS**

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carried out by us may not be fully covered under the scope of variation orders set out in the original contract sum. There are occasions that additional fees cannot be determined or agreed upon with our customers generally throughout the various stages of the project. Thus we may only receive part of progress payment during the course of the project. Any failure by our customers to make payment on time or in full may have an adverse effect on our future liquidity position.

### **Construction project cash flows may fluctuate**

Net cash outflows are normally recorded at the early stage of works when we are required to pay certain set-up expenditures for most of our construction projects. Progress payments will be paid after our construction works have started and will be certified by our customers or authorised persons employed by them. Accordingly, the cash flows for a particular project will turn into cumulative net inflows gradually as the construction works progress. Please see the paragraph headed “Business — Our operations” in this prospectus for more information.

If we start a number of projects simultaneously, which require substantial initial set-up costs at time where we have significantly lower cash inflows from other projects at any particular time period, our cash flow position may be adversely affected.

### **The price of our variation works may not be clearly determined**

During the course of implementation of the construction projects, our customers may give us “variation orders” and request us to change or modify the scope of works or perform works beyond the scope of original contracts from time to time. The terms of these variation orders have to be agreed upon between our Group and the authorised representatives of the customers based on, among others, the general principle that if any additional works to be carried out is the same as or similar in nature to (and executed under the same or similar conditions and circumstances) any item of work already set out and priced in the original contract, these additional works shall be valued at the same rate set out in the original contract. However, if the additional works are not the same or similar in the manner set out above or the items of the additional works are not included in the original contracts and our Group and the customers and/or their authorised representatives fail to reach an agreement on the rate for carrying out the variation works, the customers and/or their authorised representatives would fix the rate that they unilaterally think reasonable. If our Group disagrees on such rates, contractual disputes with our customers may arise. Our results of operation, liquidity position and financial position may therefore be adversely affected.

### **Reliance on subcontractors**

Our Group may from time to time engage third party subcontractors to perform a portion of the works, which may require skilled workers and/or machineries and equipment in various areas, such as shoring and pipe pile installations, steel and metal works and road works. The subcontracting charges amounted to approximately HK\$53.0 million, HK\$51.9 million, HK\$94.0 million and HK\$46.4 million respectively for the years ended 31 March 2013, 2014, 2015 and the four months ended 31 July 2015, representing approximately 20.4%, 15.6%, 22.6% and 25.4% of our total cost of services during the corresponding periods respectively.

Sometimes, we may not be able to monitor the performance of our subcontractors as efficiently as commended to our own staff. In addition, our inability to hire qualified subcontractors could hinder our ability to complete a project successfully.

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The subcontracting arrangement also exposes us to the risks which are associated with non-performance, delayed performance or sub-standard performance of our subcontractors. Accordingly, the quality of our work may deteriorate or the completion of our construction projects may be delayed. We may be subject to liability under the relevant contract with customers for our subcontractor's performance. These events may impact our profitability, financial performance and reputation, as well as result in litigation or damages claims made against us.

Owing to the nature of the business carried out by our subcontractors, our subcontractors are also exposed to the risks in relation to safety of the construction sites, environmental protection and/or compliance with relevant employment laws and regulations, which may affect their renewal of relevant registrations or licences or may even lead to revocation of their registrations or licences. If this happens to our subcontractors in our projects, we will have to appoint another subcontractor(s) for replacement and additional costs will be incurred.

If our subcontractors violate any laws, rules or regulations in relation to health and safety matters, we may sometimes be subject, as the primary obligor, to prosecutions by relevant authorities. For instance, under the Immigration Ordinance, if a subcontractor employs an illegal immigrant on a construction site, the construction site controller (including the principal or main contractor and the subcontractor) may be charged of the relevant offence and be liable to all legal consequences thereof. In addition, we may be subject to claims for losses and damages, if our subcontractors cause any personal injuries/death or damage to the properties of any third party. Moreover, pursuant to the Employment Ordinance, (i) a principal contractor is, or (ii) a principal contractor and every superior subcontractor are, jointly and severally, liable to pay any wages that become due to an employee who is employed by a subcontractor for carrying out any work which the subcontractor has contracted to perform. If such wages are not paid within the period specified in the Employment Ordinance and we are liable to pay the wages in lieu of our subcontractors, our operations and financial results may be adversely affected if any of our subcontractors violates its/his obligations in relation to any laws, rules or regulations.

### **We rely on key management personnel**

Our success and growth is, to a large extent, attributable to the continued commitment of our executive Directors and our senior management team and our capability to identify, hire, retain suitable and qualified employees, including management personnel with the necessary industry expertise as described in the section headed "Directors, Senior Management and Employees". Our Directors and members of senior management, in particular, our executive Directors, are important to us as they have extensive experience and business connections in the construction industry in Hong Kong. Any unanticipated departure of our Directors and/or our senior management team without appropriate replacement may have a material adverse impact on our business operations and profitability.

### **Our insurance policies may not be sufficient to cover liabilities arising from claims and litigation and our insurance premium may increase from time to time**

We have taken out insurance policies in line with industry practice, which is also generally required by our customers to cover our business operations. However, there are certain types of losses for which insurance coverage is not generally available on commercial

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## RISK FACTORS

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terms acceptable to us, or at all. Examples of these include the insurance against losses suffered due to business interruptions, earthquakes, floodings or other natural disasters, wars, terrorist attacks or civil disorders, or losses or damages caused by industrial actions.

If we suffer any losses, damages or liabilities in the course of our business operations arising from events for which we do not have any or adequate insurance covers, we may have to bear such losses, damages or liabilities by ourselves. In such case, our business operations and financial results may be adversely affected. Even if we have insurance policies, our insurers may not fully compensate us for all potential losses, damages or liabilities regarding our properties or our business operations.

We also cannot guarantee that the insurance premiums payable by us in relation to the implementation of projects will not increase. For the three years ended 31 March 2013, 2014, 2015 and the four months ended 31 July 2015, our total insurance premiums amounted to approximately HK\$2.7 million, HK\$13.1 million, HK\$8.6 million and HK\$4.0 million respectively. Any further increases in insurance costs (such as an increase in insurance premiums) or reductions in insurance coverage may materially and adversely affect our business operations and financial results.

### **Our legal right to lease two parcels of lands for storage areas in San Tin and Sheung Shui could be challenged by the registered owners thereof**

We are currently leasing two parcels of lands for storage purposes in San Tin and Sheung Shui, where the landlords named in the relevant tenancy agreements (the “**Leasing Landlords**”) could not provide us with the relevant written power of attorney to evidence that they were authorised to enter into the relevant tenancy agreements and lease the said lands to us on behalf of the landlords named in the land search results of the respective lands (the “**Original Landlords**”).

If the Original Landlords challenge the validity of the tenancy agreements, or there are any third parties who otherwise have the rights or interests in the said lands, the validity of the tenancy agreements or our rights thereunder will be adversely affected. In such case, the tenancy agreements may have to be terminated by the Original Landlords and, if it happens, we may be compelled to leave the said lands and relocate our storage areas. Our Directors confirmed that the estimated cost of relocation for each site will not be more than HK\$1 million and the time required for relocation will be around three weeks. Furthermore, to our Directors’ best knowledge and belief, the rental rates for storage areas with proper land titles are similar to the current rental rates of our leased storage areas in San Tin and Sheung Shui.

### **Our leased properties’ lack of mortgagee’s consent**

The Group has leased two properties in Sai Wan and San Po Kong as site office and resting facilities for site workers. Each of the leased properties was, and still is, subject to mortgage and the relevant consent of the mortgagee for the grant of the tenancy in respect of the each said properties have not been obtained. If such consents are not granted, the tenancies will not be binding on the respective mortgagee and if there is any default by the landlord who is also the mortgagor of the said properties, the respective mortgagee is entitled to enforce the terms of the mortgage against the landlord and the mortgagee may evict our Group from the property without paying any compensation or incurring any liability to our Group. Our Directors confirmed that the estimated cost of relocation for each property will not be more than HK\$30,000.

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### **Our business may be affected by industrial actions or strikes**

Construction works are typically divided into several disciplines, and each require specialised labour. Industrial actions of any one discipline may disrupt the progress of our construction works. During the Track Record Period, our construction projects did not encounter any strike actions. However, there is no assurance that industrial actions or strikes will not be launched in the future. Such industrial actions or strikes may adversely impact our business performance and also the profitability and results of operation. Any delays in the completion of our construction works caused by such actions may also be taken into consideration by our customers in the private and public sectors when considering our tenders to be submitted in the future, and thus will have an adverse impact on our chances of winning future tenders.

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

A member of our Group declared interim dividends of nil, nil, HK\$40.0 million and HK\$25.2 million respectively for the years ended 31 March 2013, 2014, 2015 and the four months ended 31 July 2015. Our Group also declared interim dividends of amounting to HK\$42.0 million and HK\$60.0 million in August and November 2015 respectively. They were settled and financed by our internal resources.

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

### **Our Group may damage underground service utilities or foundation of aged building adjacent to our construction sites when carrying out our works**

There are many service utilities such as fresh and flush water mains, gas mains, electric cables, and telephone cables, laid underground or below carriageways and footways in Hong Kong. We may inevitably have access to these service utilities when we carry out foundation and tunneling works. We cannot ensure that damages to those utilities will be avoided during our construction. Accordingly, we may be liable to the costs for the repair of any damaged service utilities, and may even be subject to criminal liability under relevant laws and regulations.

Furthermore, there may be aged building foundations adjacent to our work site. They may be damaged during our excavation works or piling works which may affect the underground condition. We may be required to amend our construction plan, if any investigation is carried out by the relevant authorities. All of these may lead to increase in our construction cost and delay in work progress, which may result in liquidated damages being payable by us.

### **Our projects are subject to unforeseen ground conditions**

The costs of foundation and/or tunneling works are directly related to the ground conditions of the relevant construction sites. We usually carry out soil tests or rely on the soil



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investigation reports provided by potential customers at the tender stage. Additional ground investigation works will be carried out after the relevant contract has been awarded to us before commencement of the foundation and/or tunneling works. However, where soil conditions are non-homogenous, preliminary soil test reports may not correctly reflect the underlying characteristics of the soil.

Generally, in the event that the actual soil conditions differ materially from those set out in the preliminary soil test reports and rectification works are required, we would request extensions of time for the completion of the projects and claim additional costs from our customers for the execution of our projects. However, there is no assurance that our customers will agree to pay any additional amount to us for the additional works due to the unforeseen ground conditions or compensate us for the additional costs of rectifying unforeseen ground conditions. Any material cost overruns will adversely affect our financial performance.

### **Our Group's operations may be affected by inclement weather conditions and are subject to other construction risks**

Most of our business operations are conducted outdoors and are susceptible to inclement weather. If the inclement weather persists or natural disasters occur, we may be prohibited from performing works at our construction sites, and as a result, we may not be able to meet the specified time schedule. If we have to halt operations during inclement weather or natural disasters, we may continue to incur operating expenses such as labour costs and machineries and equipment rental expenses of the machineries and equipment not owned by us. If our project is delayed and the terms of the contract do not accommodate for such delays or our customers do not grant us with a sufficient extension of time for completion, we may be liable to pay for any liquidated damages to our customers according to the relevant contract terms, which will adversely affect our financial results. In addition, our business is subject to the outbreak of severe communicable diseases (such as swine flu, avian flu and severe respiratory syndrome), natural disasters or other acts of God, which are beyond our control. These incidents may also adversely affect the economy, infrastructure, livelihood and society of Hong Kong. Acts of wars and terrorism may also injure our employees, cause loss of lives, damage our facilities, disruption to our operations and destroy our works performed. If any of such incident occurs, our revenue, costs, financial conditions and growth potentials will be adversely affected. It is also difficult for us to predict the potential effects of these incidents and their materiality to our business as well as those of our customers, suppliers, subcontractors and employers.

### **We are subject to interest rate risk**

We have finance lease liabilities of approximately HK\$33.0 million, HK\$43.6 million, HK\$34.4 million and HK\$34.6 million and outstanding bank borrowings and bank overdraft of approximately HK\$22.2 million, HK\$2.7 million, HK\$0.7 million and HK\$0.2 million as at 31 March 2013, 2014, 2015 and 31 July 2015 respectively. Some of the finance lease liabilities carry a floating interest rate and our Group is subject to the cash flow interest rate risk. During the Track Record Period, the obligation under finance leases carried interest rate at floating rates from 2.63% to 5.25% per annum, and at fixed rates from 1.18% to 2.25% per annum while the interest for our bank borrowings ranged from 2.42% to 4.0%. During the Track Record Period and up to the Latest Practicable Date, our Group had not hedged such cash flow interest rate risks.

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### **RISKS RELATING TO THE INDUSTRIES IN WHICH WE OPERATE**

#### **We are subject to environmental liability**

Our business in Hong Kong is subject to the environmental regulations and guidelines issued by the Hong Kong Government, which apply to the operation of all construction projects in Hong Kong. Such regulations and guidelines may be revised by the Government from time to time to reflect the latest environmental needs. Any changes to such regulations and guidelines may increase our cost and burden in complying with them.

#### **Market conditions and trends in the construction industry and in the overall economy will affect our performance**

All of our operations and management are located in Hong Kong during the Track Record Period. The continued availability of large construction projects will affect the future growth and level of profitability of the construction industry in Hong Kong. The nature, extent and timing of such projects will, however, be determined by a variety of factors such as the land supply in Hong Kong and public housing policy, the government budgets, the investment of property developers and the general conditions and prospects of Hong Kong's economy. They may affect the availability of construction projects from the public sector, private sector or other institutional bodies.

Other than the Government's public spending, other factors can affect the construction industry as well. These other factors include cyclical trends in the economy as a whole, fluctuations in interest rates and the availability of new projects in the private sector. If there is any recurrence of recession in Hong Kong, deflation or any changes in Hong Kong's currency policy, or if the demand for construction works in Hong Kong deteriorates, our operations and profitability could be adversely affected.

#### **Our project performance may be affected by the shortage of labour**

Construction works are generally labour intensive and we may encounter difficulties in staffing our construction works. For any construction project, a large number of workers from various disciplines with different skills may be required.

There is no assurance that the supply of labour and average labour costs will be stable at all times. Labour intensive projects are more susceptible to labour shortages. Our subcontracting costs also include the labour costs of our subcontractors. When there is a significant increase in the costs of labour and we have to retain our labour (or our subcontractors retain their labour) by their increasing wages, our staff costs and/or subcontracting costs will increase and as a result, our profitability will be adversely affected. On the other hand, if we or our subcontractors fail to retain existing labour and/or recruit sufficient labour in a timely manner to cope with our existing or future projects, we may not be able to complete our projects on schedule and may be subject to liquidated damages claims from our customers and/or incur loss.

During the Track Record Period, our staff costs, as part of the cost of services, amounted to approximately HK\$80.2 million, HK\$83.0 million, HK\$98.1 million and HK\$40.9 million respectively, representing approximately 30.8%, 24.9%, 23.6% and 22.4% of our total cost of services during the corresponding periods, respectively.

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## **RISK FACTORS**

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### **We operate in a competitive environment**

The construction industry in Hong Kong is very competitive and has many participants. We generally consider that other construction companies operating in Hong Kong play the role of our competitors as well as our business partners in our construction business. New participants who possess appropriate skills, local experiences, necessary machineries and equipment, capital and are eligible for the grant of the requisite licences by the relevant regulatory bodies may enter the industry and compete with our Group. Intense competition may result in lower operating margins and loss of market shares, which may adversely affect our profitability and operating results.

### **Personal injuries, property damages or fatal accidents may occur at work sites**

Notwithstanding that we require our employees to strictly adhere to and implement all the safety measures and procedures as stipulated in our work and safety manuals in the course of our operations, there is an inherent risk of accidents resulting in personal injuries, property damages and/or fatalities in construction sites. We generally supervise and monitor closely our employees in the implementation of all such safety measures and procedures during execution of works. However, we cannot guarantee that our employees, or those of our subcontractors will follow our safety measures and/or will not breach any applicable rules, laws or regulations. If any such employees fail to follow safety measures at our construction sites, personal injuries, property damage or fatal accidents may be resulted. Any personal injuries and/or fatal accidents to the employees of our Group or our subcontractors may lead to claims or other legal proceedings against our Group. As at the Latest Practicable Date, our Group was subject to certain claims in relation to personal injuries, and such proceedings were still on-going. Further information regarding such claims is set out in the paragraph headed “Business — Litigation and potential claims” in this prospectus.

Such claims may expose us to the risk of bearing higher insurance premiums in the future. They may also harm the reputation of our Group if they turn into high profile cases and become widely reported in the media or within the industry. If such incidents occur, our business prospects, reputation and results of operation may be adversely and materially affected.

## **RISKS RELATING TO THE SHARE OFFER AND OUR SHARES**

### **Investors will experience immediate dilution**

In the event that the Offer Price of our Shares is higher than the net tangible book value per Share immediately prior to the Share Offer, subscribers or purchasers of our Shares in the Share Offer will experience an immediate dilution in the unaudited pro forma adjusted net tangible assets value to HK\$0.47 and HK\$0.56 per Share, based on the Offer Price of HK\$0.69 and HK\$1.03 respectively.

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

We may issue additional Shares to raise additional funds to finance our business expansion after Listing through the issue of new equity or equity-linked securities of our

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## RISK FACTORS

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Company, which are not made on a pro rata basis to existing Shareholders. In such an event, (i) the percentage ownership of those existing Shareholders may be reduced, and they may experience subsequent dilution, and/or (ii) such newly issued securities may have rights, preferences or privileges superior to those of the ordinary Shares held by existing Shareholders.

There was no prior public market for our Shares. If an active trading market for our Shares does not develop, the prices of our Shares may be adversely affected and may decline below the Offer Price. Further, the Offer Price was the result of negotiations between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters). Such Offer Price may differ significantly from the market price for the Shares following the Share Offer.

Further, we cannot assure you that an active trading market will develop or be maintained following completion of the Share Offer, or that the market price of our Shares will not decline below the Offer Price.

### **Following the Share Offer the liquidity and market price of our Shares may be volatile**

The price and trading volume of our Shares may be highly volatile due to factors such as variations in our revenue, earnings and cash flows and announcements of major construction works contracts awarded. All of the aforementioned factors could cause the market price of our Shares to change substantially. Any such developments may result in large and sudden changes in the volume and price at which our Shares will trade. In such cases, investors may not be able to sell their Shares at or above the Offer Price.

### **There is a time lag between pricing and commencement of trading of the Shares, and the price of our Shares may fall before trading begins**

The Offer Price will be determined on the Price Determination Date, which is expected to be on 11 December 2015. However, the trading of Shares on the Main Board will not commence until the Listing Date, which is expected to be on 18 December 2015. During this period, investors may not be able to sell or otherwise deal in the Shares. Accordingly, holders of the Shares are subject to the risk that the Shares' price could fall before trading begins, resulted from adverse market conditions or other adverse developments that could occur between the said period of time.

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

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

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## RISK FACTORS

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

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

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

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

After Listing, the prevailing market price of Shares may be negatively impacted by future issue of Shares by our Company or the disposal of Shares by any of its Shareholders or the perception that such issue or sale may occur. The Shares held by the Controlling Shareholders are subject to certain lock-up undertakings for periods up to 12 months after the Listing Date. We cannot give any assurance that they will not dispose of Shares they may own now or in the future.

**Granting options under the Share Option Scheme may affect our Group’s result of operation and dilute Shareholders’ percentage of ownership**

In the future, our Company may grant share options under the Share Option Scheme. The fair value of the options at the date on which they are granted with reference to the valuer’s valuation will be charged as share-based compensation under the HKFRS, which may adversely affect our Group’s results of operations. The issue of Shares for the purpose of satisfying any award made under the Share Option Scheme will also increase the number of Shares in issue after such an issue. It may also result in the dilution of percentage ownership of the Shareholders, the earnings per Share and the net asset value per Share. No option has been granted pursuant to the Share Option Scheme up to the Latest Practicable Date. For a summary of the terms of the Share Option Scheme, please see the paragraph headed “E. Share Option Scheme” in Appendix IV in this prospectus.

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## RISK FACTORS

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### RISKS RELATING TO STATEMENTS MADE IN THIS PROSPECTUS

#### **Statistics and industry information may come from various sources which may not be reliable**

Certain facts, statistics and data presented in the section headed “Industry Overview” and elsewhere in this prospectus in relation to the Hong Kong construction industry have been derived, in part, from various publications and industry-related sources prepared by government departments or Independent Third Parties. We believe that the sources of the information are appropriate sources for such information and we have 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. Neither our Group, our Directors, the Sole Sponsor nor any of the parties involved in the Share Offer have independently verified, or make any representation as to, the accuracy of such information and statistics, as such these statistics and data should not be unduly relied upon.

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.

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 prior to the publication of this prospectus. We wish to emphasise to potential investors that neither we nor any of the Sole Sponsor, the Sole Global Coordinator and the Underwriters, the directors, officers, employees, advisors, agents or representatives of any of them, or any other parties (collectively, the “**Professional Parties**”) involved in the Share Offer have authorised the disclosure of such information in any press or media, and neither the press reports, any future press reports nor any repetition, elaboration or derivative work were prepared by, sourced from, or authorised by us or any of the Professional Parties. Neither we nor any Professional Parties accept any responsibilities 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 responsibilities and liabilities 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 Form.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules of Hong Kong (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purposes of giving information with regard to our Group.

Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all materials 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.

### **PUBLIC OFFER, UNDERWRITING AND INFORMATION ON THE SHARE OFFER**

This prospectus is published solely in connection with the Public Offer, which forms part of the Share Offer. For applicants under the Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Public Offer.

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

The Listing is sponsored by the Sole Sponsor. The Public Offer is fully underwritten by the Public Offer Underwriters under Public Offer Underwriting Agreement and is subject to us and the Sole Global Coordinator (for itself and on behalf of the Underwriters) agreeing on the Offer Price. An Placing Underwriting Agreement relating to the Placing is expected to be entered into on or around 11 December 2015, subject to the Offer Price being agreed. The Share Offer is managed by the Sole Global Coordinator.

If, for any reason, the Offer Price is not agreed among us and the Sole Global Coordinator (for itself on behalf of the Underwriters), the Share Offer will not proceed and will lapse. For full information about the Underwriters and the underwriting arrangements, please see the section headed "Underwriting" in this prospectus.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

### **PROCEDURE FOR APPLICATION FOR PUBLIC OFFER SHARES**

The procedures for applying for Public Offer Shares is set out in the section entitled "How to Apply for Public Offer Shares and Employee Reserved Shares" and on the relevant Application Forms.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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### **STRUCTURE OF THE SHARE OFFER**

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

### **RESTRICTIONS ON SALE OF OFFER SHARES**

Each person acquiring the Public Offer Shares under the Public Offer will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, or the distribution of this prospectus and/or Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus and/or Application Forms may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

### **APPLICATION FOR LISTING ON THE STOCK EXCHANGE**

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus pursuant to the Share Offer (including Shares to be issued pursuant to the Capitalisation Issue and Shares which may fall to be issued upon the exercise of any options that may be granted under the Share Option Scheme).

Save as disclosed in this prospectus, no part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

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

### **COMMENCEMENT OF DEALINGS IN THE SHARES**

Dealings in the Shares on the Stock Exchange are expected to commence on Friday, 18 December 2015. The Shares will be traded in board lots of 4,000 Shares each. The stock code of the Shares will be 1662.



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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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### **ADMISSION OF THE SHARES INTO CCASS**

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the 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.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

### **HONG KONG REGISTER OF MEMBERS AND STAMP DUTY**

Our Company's principal register of members will be maintained by our principal registrar, Appleby Trust (Cayman) Ltd., in the Cayman Islands and our Company's Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Tricor Investor Services Limited, in Hong Kong. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Share Registrar and may not be lodged in the Cayman Islands.

All Offer Shares will be registered on the Hong Kong register of members of our Company in Hong Kong. Dealings in the Shares registered on our Hong Kong register of members will be subject to Hong Kong stamp duty. The stamp duty is charged to each of the seller and purchaser at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the Shares transferred. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of the Shares. In addition, a fixed duty of HK\$5 is charged on each instrument of transfer (if required).

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

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

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

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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### **PROCEDURE FOR APPLICATION FOR PUBLIC OFFER SHARES**

The procedure for application for Public Offer Shares is set out in the section headed “How to Apply for the Public Offer Shares and Employee Reserved Shares” in this prospectus and on the relevant Application Forms.

### **STRUCTURE OF THE OFFER SHARES**

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

### **ROUNDING**

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 individual amounts listed in any table are due to rounding.

### **LANGUAGE TRANSLATION**

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

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**DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER**

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**DIRECTORS**

<b>Name</b>	<b>Residential Address</b>	<b>Nationality</b>
<i>Executive Directors</i>		
Jim Yin Kwan Jackin (詹燕群)	House 3 Roseville Villas No. 1, Nam Wai Road Sai Kung New Territories Hong Kong	Chinese
Chui Mo Ming (徐武明)	G/F, House 43 Heng Mei Deng Tsuen Meng Kung Uk Sai Kung New Territories Hong Kong	Chinese
Yan Chi Tat (甄志達)	Flat A, 26/F, Block 1 Hibiscus Park 91 Hing Shing Road Kwai Chung New Territories Hong Kong	Chinese
Leung Hung Kwong Derrick (梁雄光)	Flat A1, 8/F, Block A Mount Parker Lodge 10 Hong Pak Path Quarry Bay Hong Kong	Chinese

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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<b>Name</b>	<b>Residential Address</b>	<b>Nationality</b>
<i>Independent non-executive Directors:</i>		
Lee Luk Shiu (李祿兆)	Flat E, 21/F, Tower 1 Phase 1 Ocean Shores 88 O King Road Tseung Kwan O New Territories Hong Kong	Chinese
Yu Hon Kwan (余漢坤)	House D Blessing Villa 43 Castle Peak Road Tuen Mun New Territories Hong Kong	Chinese
Wong Chi Keung Johnny (王志強)	142 Cypress Drive Palm Springs Yuen Long New Territories 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.

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### PARTIES INVOLVED IN THE SHARE OFFER

<b>Sole Sponsor</b>	<b>Ping An of China Capital (Hong Kong) Company Limited</b> 28/F, 169 Electric Road North Point Hong Kong
<b>Sole Global Coordinator</b>	<b>Ping An of China Securities (Hong Kong) Company Limited</b> 28/F, 169 Electric Road North Point Hong Kong
<b>Joint Bookrunners</b>	<b>Ping An of China Securities (Hong Kong) Company Limited</b> 28/F, 169 Electric Road North Point Hong Kong  <b>China Investment Securities International Brokerage Limited</b> 63/F Bank of China Tower 1 Garden Road Central Hong Kong
<b>Joint Lead Managers</b>	<b>Aristo Securities Limited</b> 21/F., Henry Centre, 131 Wo Yip Hop Road Kwai Chung, New Territories Hong Kong  <b>Sinolink Securities (Hong Kong) Company Limited</b> Units 2505–06, 25/F, Low Block Grand Millennium Plaza 181 Queen’s Road Central Hong Kong
<b>Legal advisors to our Company</b>	<i>As to Hong Kong law:</i> <b>Hastings &amp; Co.</b> <i>Solicitors, Hong Kong</i> 5/F, Gloucester Tower, The Landmark 11 Pedder Street Central Hong Kong

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**DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER**

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**Mr. Tsang Kwok Kei, David**

*Barrister-at-law, Hong Kong*

38/F, Gloucester Tower, The Landmark

11 Pedder Street

Central

Hong Kong

*As to Cayman Islands law:*

**Appleby**

*Cayman Islands attorneys-at-law*

2206–19 Jardine House

1 Connaught Place

Central

Hong Kong

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

**TC & Co.**

*Solicitors, Hong Kong*

Unit 2201–3, 22/F, Tai Tung Building

8 Fleming Road

Wan Chai

Hong Kong

**Reporting accountants and  
Auditors**

**SHINEWING (HK) CPA Limited**

*Certified Public Accountants*

43/F, Lee Garden One

33 Hysan Avenue

Causeway Bay

Hong Kong

**Property valuer**

**Vigers Appraisal & Consulting Limited**

10/F, The Grande Building

398 Kwun Tong Road

Kowloon

Hong Kong

**Receiving bank**

**DBS BANK (HONG KONG) LIMITED**

16/F The Center

99 Queen's Road Central

Hong Kong

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## CORPORATE INFORMATION

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<b>Headquarter and principal place of business in Hong Kong</b>	Unit 1104-06, Nan Fung Commercial Centre 19 Lam Lok Street Kowloon Bay Hong Kong
<b>Registered office in the Cayman Islands</b>	Clifton House 75 Fort Street P.O. Box 1350 Grand Cayman KY1-1108 Cayman Islands
<b>Company's website address</b>	<b><u><a href="http://www.yee-hop.com.hk/">http://www.yee-hop.com.hk/</a></u></b> <i>(information on this website does not form part of this prospectus)</i>
<b>Company secretary</b>	Mr. Wu Tai Cheung ( <i>HKICPA, ACCA, HKICS</i> ) Flat H, 3/F, Block 8 Willow Mansions Whampoa Garden 120 Baker Street Hung Hom Kowloon Hong Kong
<b>Authorised representatives</b>	Mr. Yan Chi Tat Flat A, 26/F, Block 1 Hibiscus Park 91 Hing Shing Road Kwai Chung New Territories Hong Kong  Mr. Wu Tai Cheung Flat H, 3/F, Block 8 Willow Mansions Whampoa Garden 120 Baker Street Hung Hom Kowloon Hong Kong
<b>Audit committee</b>	Mr. Lee Luk Shiu ( <i>Chairman</i> ) Mr. Yu Hon Kwan Mr. Wong Chi Keung Johnny

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## CORPORATE INFORMATION

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**Remuneration committee**

Mr. Yu Hon Kwan (*Chairman*)  
Mr. Wong Chi Keung Johnny  
Mr. Jim Yin Kwan Jackin  
Mr. Lee Luk Shiu

**Nomination committee**

Mr. Yu Hon Kwan (*Chairman*)  
Mr. Jim Yin Kwan Jackin  
Mr. Wong Chi Keung Johnny  
Mr. Lee Luk Shiu

**Cayman Islands principal share  
registrar and transfer office**

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

**Compliance advisor**

Ping An of China Capital (Hong Kong)  
Company Limited  
28/F, 169 Electric Road  
North Point  
Hong Kong



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## CORPORATE INFORMATION

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### Principal banks

The Hongkong and Shanghai Banking  
Corporation Limited  
673 Nathan Road  
Mongkok, Kowloon  
Hong Kong

China Construction Bank (Asia) Corporation  
Limited  
Suite 2508–11  
25/F., Tower 6  
The Gateway  
Harbour City  
Kowloon  
Hong Kong

DBS Bank (Hong Kong) Ltd  
16th Floor, The Centre  
99 Queen's Road Central  
Central  
Hong Kong

Fubon Bank (Hong Kong) Limited  
Fubon Bank Building  
38 Des Voeux Road Central  
Central  
Hong Kong

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**WAIVER FROM STRICT COMPLIANCE WITH  
THE REQUIREMENTS UNDER THE LISTING RULES**

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In preparing for the Listing, we have sought the following waiver from compliance with the relevant provisions of the Listing Rules:

**NON-EXEMPT CONTINUING CONNECTED TRANSACTION**

Our Group has a transaction with a connected person that is expected to continue after the Listing, which will constitute a non-exempt continuing connected transaction of our Company under the Listing Rules upon the Listing. We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from the strict compliance with the requirements in respect of the relevant non-exempt continuing connected transaction under Chapter 14A of the Listing Rules. The details of such waiver are set out in the section headed “Connected Transactions” in this prospectus.

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## INDUSTRY OVERVIEW

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*The data and information presented in this section and elsewhere in this prospectus, unless otherwise indicated, is derived from various official government publications and other publications and from the market research report prepared by Ipsos, which was commissioned by us. However, we cannot guarantee the quality or reliability of such source materials. Whilst our Directors have taken reasonable care to ensure that the relevant facts and statistics are accurately reproduced from the government official publications. Such information has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of our or their respective affiliates, advisors, directors, officers or representatives or any other person involved in the Share Offer and none of them make any representation as to the accuracy, completeness or fairness of such information from official government publications. The information extracted from the Ipsos Report reflects estimates of market conditions based on samples, and is prepared primarily as a market research tool. While reasonable care has been taken in the extraction, compilation and reproduction of such information and statistics by us. Our Directors confirm that after taking reasonable care, there is no adverse change in the market information since the date of the Ipsos Report.*

### SOURCES OF INFORMATION

We have commissioned Ipsos, an independent market research company, to conduct an analysis of, and to report on, the construction industry (including tunneling works, foundation and substructure works and civil engineering works) in Hong Kong. The information and analysis contained in the Ipsos Report was assessed independently by Ipsos, including all its subsidiaries, divisions and units (collectively refer to “**Ipsos Group**”), is not connected to our Group in any way. Ipsos charged us a total fee of approximately HK\$398,000 for the preparation and the use of the Ipsos Report, which our Directors consider to reflect market rates.

Ipsos has conducted research and data gathering based on (i) desk research; and (ii) primary research, including face-to-face and phone interviews with key stakeholders and industry experts in Hong Kong, such as general building works and foundation work companies, civil engineering work companies, main contractors, developers, architects, industry experts, government officials and association. In addition, intelligence gathered was analysed, assessed and validated using Ipsos’ in-house analysis models and techniques.

Ipsos, being one of the worldwide offices of the Ipsos Group, which employs approximately 16,000 personnel worldwide across 87 countries, is specialised in conducting researches across various industrial sectors including tourism, financial services, cosmetics, regional luxury and high net worth research.

In preparing the Ipsos Report, Ipsos developed its estimates or forecasts based on the following assumption: (i) the supply of and demand for products and services of the construction industry, including foundation sector, civil engineering sector and tunneling sector as well as micro-tunneling sector, in Hong Kong are stable over the forecast period; and (ii) there is no external shock such as financial crisis or natural disasters to affect the supply of and demand for products and services of the construction industry, including foundation sector, civil engineering sector and tunneling sector as well as micro-tunneling sector, in Hong Kong during the forecast period.

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## **INDUSTRY OVERVIEW**

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

- GDP value and GDP growth rate in Hong Kong from 2009 to 2014
- GDP per capita and GDP per capita growth rate in Hong Kong from 2009 to 2014
- Gross fixed capital formation value in Hong Kong from 2009 to 2014
- Gross output value of construction works performed by main contractors and subcontractors at construction sites in Hong Kong from 2009 to 2014
- Public expenditure on infrastructure in Hong Kong from 2009 to 2014
- Total investment value in construction projects in Hong Kong from 2009 to 2014
- Estimated number of workers involved in foundation, civil engineering and tunneling sector in Hong Kong from 2009 to 2014
- Estimated gross output value (or revenue) of foundation, civil engineering and tunneling sector in Hong Kong from 2009 to 2014
- Estimated average fee per foundation and civil engineering project in Hong Kong from 2009 to 2014
- Price trend of steel reinforcements, cement and concrete blocks in Hong Kong from 2009 to 2014
- Average wage of construction workers in Hong Kong from 2009 to 2014

### **RELIABILITY OF INFORMATION IN THE IPSOS REPORT**

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

### **MARKET OVERVIEW OF THE CONSTRUCTION INDUSTRY IN HONG KONG**

The total gross output value of construction works performed by main contractors and subcontractors at construction sites in Hong Kong surged from around HK\$60.8 billion in 2009 to around HK\$155.2 billion in 2014, at a CAGR of about 20.6%. The increase was attributed to the initiatives of the Hong Kong Government to launch more construction projects, with the purpose to support Hong Kong's economic recovery after the 2008 global financial crisis by improving employment opportunities in the construction industry.

The total gross output value of construction works performed by main contractors and subcontractors at construction sites in Hong Kong is expected to grow from about HK\$193.4 billion in 2015 to about HK\$299.5 billion in 2017 at a CAGR of about 24.4%. The strong

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## INDUSTRY OVERVIEW

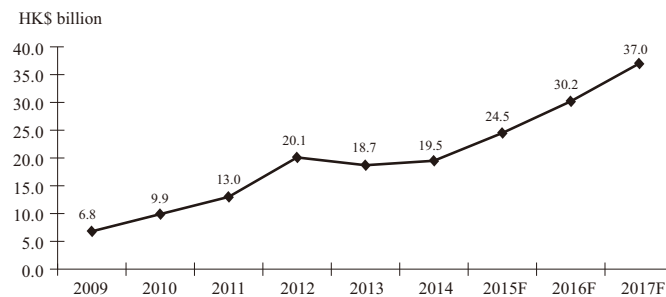
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growth is expected to be mainly driven by public sector works as several ongoing major construction projects are public sector projects, namely the Public Housing Development Program and the Ten Major Infrastructure Projects.

### MARKET OVERVIEW OF THE FOUNDATION SECTOR IN HONG KONG

The development of the foundation industry and the construction industry are positively correlated. Foundation works provide an important support for buildings and structures; therefore the development of the foundation industry depends on the supply of projects in the construction industry.

**Exhibit 1: Estimated Gross Output Value (or Revenue) of Foundation Works in Hong Kong from 2009 to 2017**



*Note:* Data refers to gross output value of piling and related foundation works in nominal terms performed by main contractors and subcontractors at construction sites in Hong Kong.

*Sources:* Census and Statistics Department, HKSAR; Ipsos Report

From 2009 to 2014, the estimated gross output value (or revenue) of the foundation sector in Hong Kong grew significantly from about HK\$6.8 billion to about HK\$19.5 billion, at a CAGR of about 23.5%. The Ten Major Infrastructure Projects (including South Island Line, Sha Tin to Central Link, Tuen Mun-Chek Lap Kok Link and Tuen Mun Western Bypass, Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, Hong Kong-Zhuhai-Macao Bridge, rail connection between the Hong Kong and Shenzhen airports, Lok Ma Chau Loop, West Kowloon Cultural District (WKCD), Kai Tak Development and North East New Territories (NENT) and Hung Shui Kiu New Development Areas (NDAs)) in the public sector was the main contributor of the gross output value growth of the foundation sector from 2009 to 2014. Although the gross output value of the foundation sector slightly decreased in 2013 because of the completion of the foundation works of some infrastructure projects, such as the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, the gross output value rebounded in 2014 because of the ongoing transportation infrastructure projects.

The estimated gross output value (or revenue) of the foundation sector is expected to increase from 2015 to 2017, from about HK\$24.5 billion to about HK\$37.0 billion, at a CAGR of about 22.9%. The expected growth is attributed to the expected increase in demand for residential buildings. In the public sector, new projects such as the new development projects in the eastern and northern parts of the New Territories, the Wan Chai Development project, new MTR lines and MTR extension projects, are expected to support the continual gross output value growth of the foundation sector from 2015 to 2017.

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## INDUSTRY OVERVIEW

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### **FUTURE OUTLOOK AND TRENDS OF THE FOUNDATION SECTOR IN HONG KONG**

#### **More on-site training programs will be provided to foundation workers by contractors in Hong Kong**

Given the shortage of labour, particularly skilled labour in the foundation industry, main contractors and subcontractors are increasingly willing to hire less experienced workers to meet the resource demand for construction projects. Both main contractors and subcontractors have started to provide more on-site training and support to new employees, particularly less experienced workers to expedite their skillset on the job.

#### **Operating piling systems that generate less noise and vibration will be increasingly welcomed by foundation contractors**

Whenever the Environmental Protection Department in Hong Kong receives public complaints on the noise and vibrations generated from foundation projects, the foundation works may need to be suspended, which results in project delays and potential penalties borne to contractors. Piling systems generating less noise and vibrations are more preferred and will increasingly replace older piling systems.

#### **Stricter subcontractor registration requirements**

In an effort to minimise undesirable construction industry practices, such as late wage payment and uncompensated injuries among subcontractors in Hong Kong, the Construction Industry Council initiated the Subcontractor Registration Scheme with the support of the Hong Kong Government to encourage main contractors to only subcontract works to registered subcontractors under the scheme. In the private sector, the Real Estate Developers Association of Hong Kong (REDA) has requested its members to lend support by encouraging subcontractors to register and specifying the engagement of registered subcontractors for future contracts, and the Hong Kong Construction Association (HKCA) and Hong Kong Federation of Electrical and Mechanical Contractors (HKFEMC) has also encouraged members to engage registered subcontractors for construction works. According to the Construction Industry Council, the scheme will eventually become mandatory to all subcontractors, and the number of subcontractors participating in this scheme will increase as a result.

### **MARKET OVERVIEW OF THE CIVIL ENGINEERING SECTOR IN HONG KONG**

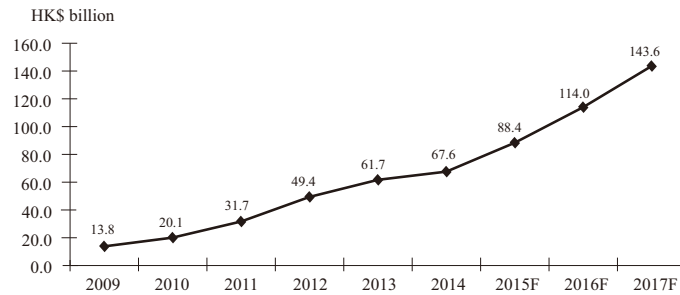
Under the license system of the Development Bureau, civil engineering works in Hong Kong can be categorised into port works, roads and drainage, site formation and waterworks.

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## INDUSTRY OVERVIEW

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### Exhibit 2: Estimated Gross Output Value (or Revenue) of Civil Engineering Works in Hong Kong from 2009 to 2017



*Note:* Data refers to gross output value of civil engineering in nominal terms performed by main contractors and subcontractors at construction sites in Hong Kong.

*Sources:* Census and Statistics Department, HKSAR; Ipsos Report

The estimated gross output value (or revenue) of civil engineering sector in Hong Kong rose at a CAGR of around 37.4%, from around HK\$13.8 billion in 2009 to around HK\$67.6 billion in 2014. Such significant growth was due to the rising number of projects for civil engineering works as well as the increase in the contract value of projects. For example, the number of construction sites where civil engineering works were carried out increased from around 342 in 2009 to around 442 in 2013 while the average fee per civil engineering project increased from around HK\$77.0 million to around HK\$174.5 million during the same period. There were a number of high value civil engineering projects carried out during this period and they contributed to the increase in the average project fee. For example, the contract values of “Kai Tak development — reconstruction and upgrading of Kai Tak Nullah”; “Expansion of Tai Po water treatment works and ancillary raw water and fresh water transfer facilities — part 2 works” and “Liantang/Heung Yuen Wai Boundary Control Point and Associated Works — Phase 3” amount to around HK\$1.9 billion, HK\$3.3 billion and HK\$2.5 billion respectively.

It is expected that the estimated gross output value (or revenue) of the civil engineering sector in Hong Kong will increase substantially from around HK\$88.4 billion in 2015 to around HK\$143.6 billion in 2017 at a CAGR of around 27.5%, driven by the ongoing and upcoming Ten Major Infrastructure Projects, construction of new development areas, launch of urban renewal projects and Government’s strong intent to increase residential units.

### FUTURE OUTLOOK AND TRENDS OF THE CIVIL ENGINEERING SECTOR IN HONG KONG

#### A growing trend to export civil engineering consulting services overseas

Civil engineering works in Hong Kong is of high quality in the global standard. It has been a growing trend for experienced civil engineering contractors to export their civil engineering project management and consulting services to other countries, particularly emerging markets in Asia. China is one of the most attractive destinations for civil engineering contractors in Hong Kong given the close proximity, low language barrier and high market potential for the civil engineering works from rapid urbanization.

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## INDUSTRY OVERVIEW

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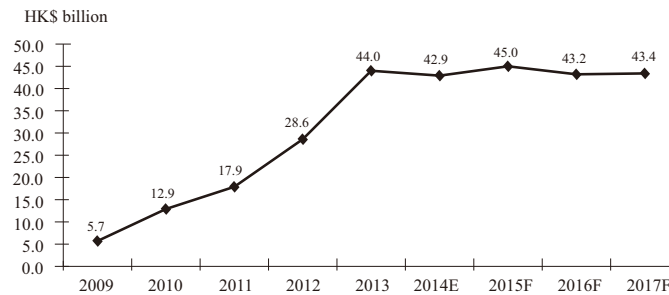
### Transportation construction as the major growth driver of the civil engineering sector in Hong Kong

The roads and drainage projects for transportation development is expected to remain the largest contributor to the Hong Kong's civil engineering sector. The Ten Major Infrastructure Projects launched by the Government, such as the construction of Hong Kong-Zhuhai-Macao Bridge and the Hong Kong-Shenzhen Express Link, are mostly transportation related development. Given these developments, transportation projects will continue to be the major driver for civil engineering works in Hong Kong over the next five years.

### MARKET OVERVIEW OF THE TUNNELING SECTOR IN HONG KONG

Tunneling works includes tunnels, shafts, caverns and related underground facilities. The main types of tunnels include tunnels for roads, railways, water supply, drainage and sewage, and electric cables. Tunneling works in Hong Kong generally includes tunneling for large diameter tunnels ranging from around 1.5 meter to 19 meters, and medium-to-small diameter tunnels which ranges from 300mm to 1200mm, also known as microtunneling. Tunneling in Hong Kong typically uses the following construction techniques: Large Diameter Tunneling typically uses Cut-and-cover method, Drill and blast method, Tunnel boring machines (TBM) or Immersed tube (IMT) tunnel construction method. For Microtunneling (Medium-to-Small Diameter Tunneling), it typically uses Cut-and-cover method, Pipe Jacking and Microtunnel Boring Machine (MTBM), Horizontal Directional Drilling (HDD) or Hand-dig tunneling.

**Exhibit 3: Estimated Gross Output Value (or Revenue) of Tunneling Works in Hong Kong from 2009 to 2017**



*Note:* Data refers to gross output value of infrastructure and utilities tunneling works in nominal terms performed by main contractors and subcontractors at construction sites in Hong Kong.

*Sources:* Civil Engineering and Development Department, HKSAR; Development Bureau, HKSAR; Water Supplies Department, HKSAR; Drainage Services Department, HKSAR; Lands Department, HKSAR; Highways Department, HKSAR; CLP Power Hong Kong Ltd, The Hongkong Electric Co. Ltd; Ipsos Report

The estimated gross output value (or revenue) of tunneling works in Hong Kong rose at a CAGR of approximately 49.7%, from approximately HK\$5.7 billion in 2009 to around HK\$42.9 billion in 2014. It peaked in 2013 and 2014 as a result of several major tunneling works being carried out at the same time. The main driver behind the significant growth in the total output value for tunneling works is due to the rising number of major infrastructure projects related to tunneling, the high complexity and technology required to complete the project resulting in an increase in contract value for those particular infrastructure projects.



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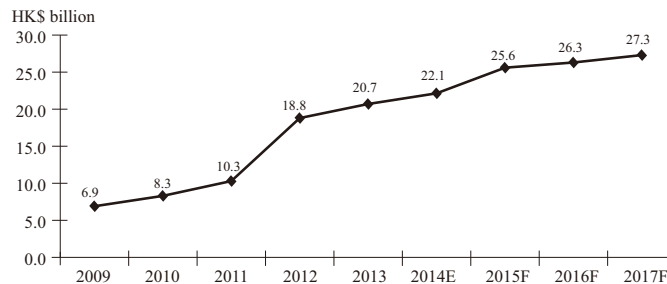
## INDUSTRY OVERVIEW

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In 2014, MTRC projects contributed approximately 49% of total gross output value (or revenue) of all tunneling works in Hong Kong. Three projects out of the Ten Major Infrastructure Projects are MTRC construction works for the Mass Transit Railway (MTR), such as, the South Island Line, Sha Tin to Central Link, and the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link. Outside of the Ten Major Infrastructure Projects, the MTRC is also carrying out the Kwun Tong Line Extension due for completion in mid-2016, and has completed the West Island Line in the beginning of 2015.

Electric cable microtunneling works contributed approximately 5% of the total gross output value (or revenue) of all tunneling works in Hong Kong in 2014, and other projects, such as roadways, subways, water supply and drainage works contributed to around 46% of the total gross output value (or revenue) of tunneling works.

### Exhibit 4: Estimated Gross Output Value (or Revenue) of non-MTRC Tunneling Works in Hong Kong from 2009 to 2017



*Notes:* (1) Data refers to gross output value of infrastructure and utilities tunneling works in nominal terms performed by main contractors and subcontractors at construction sites in Hong Kong; and (2) Data excludes MTRC related projects between 2009–2017.

*Sources:* Civil Engineering and Development Department, HKSAR; Development Bureau, HKSAR; Water Supplies Department, HKSAR; Drainage Services Department, HKSAR; Lands Department, HKSAR; Highways Department, HKSAR; CLP Power Hong Kong Ltd, The Hongkong Electric Co. Ltd; Ipsos Report

By excluding the mega size tunneling projects initiated by MTRC, the non-MTRC tunneling works mainly include water supply, drainage and sewage and electric cable works from two electricity companies in Hong Kong. The gross output value of non-MTRC tunneling works in Hong Kong rose at a CAGR of approximately 26.2% from approximately HK\$6.9 billion in 2009 to around HK\$22.1 billion in 2014. The Government and electricity supply companies have introduced development and rehabilitation programs throughout 2010 to 2014 in order to upgrade and expand existing utilities networks. These programs include the HK\$23.6 billion Replacement and Rehabilitation program by the Water Supplies Department administered from 2000 to 2015, and the HK\$53.4 billion five year development plans set out by both CLP Power Hong Kong and Hongkong Electric contributing approximately HK\$2,162.8 million in electric cable microtunneling works in 2014, supporting the increasing trend in non-MTRC tunneling gross output values during this period.

The gross output value of non-MTRC tunneling works in Hong Kong is expected to grow steadily from approximately HK\$25.6 billion in 2015 to around HK\$27.3 billion in 2017 at a CAGR of approximately 3.3%. However, Hong Kong's electric cable microtunneling sector is expected to continue growing from an estimated HK\$2,223.6 million in 2015 to around HK\$2,230.2 million by 2017 as a result of the five year development plans set out by the two

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## INDUSTRY OVERVIEW

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electricity companies to extend electrical distribution services, and perform maintenance works of existing circuits. Along with other several on-going projects, such as drainage tunneling and improvement works, and the five year development plans by CLP Power Hong Kong and Hongkong Electric, the overall growth in the non-MTRC tunneling works industry is expected to grow at a CAGR of approximately 23.9% from 2009 to 2017.

### **FUTURE OUTLOOK AND TRENDS OF THE TUNNELING SECTOR IN HONG KONG**

#### **Mega infrastructure projects by the Hong Kong Government**

Major developments in the tunneling sector will be driven by the Hong Kong Government's major infrastructure construction projects, particularly by the construction of the South Island Line, The Sha Tin to Central Link, The Tuen Mun Western Bypass and Tuen Mun Chek Lap Kok Link, The Guangzhou- Shenzhen-Hong Kong Express Rail Link, and the Hong Kong-Zhuhai-Macau Bridge.

In addition to the Government's major infrastructure projects, Hong Kong's 2014 Railway Development Strategy will be extending 6 railway lines, namely the Northern Link and Kwu Tung Station, Hung Shui Kiu Station, Tung Chung West Extension, Tuen Mun South Extension, East Kowloon Line, and the North Island Line.

As the construction industry experienced a dip in 2008, the Government's capital spending from 2013 to 2018 is estimated to exceed HK\$70 billion every year as a result of the developments of the Ten Infrastructure projects, compared with an average annual expenditure of approximately HK\$40 billion between 2008 and 2013.

#### **Construction and rehabilitation of utilities systems**

Hong Kong's two electricity companies have already set out 5-year development plans to extend distribution and transmission to support the city's major infrastructure development, newly developed and redevelopment areas. From 2014 to 2018, Hongkong Electric, and CLP Power Hong Kong has set out to invest approximately HK\$5.1 billion and HK\$22.6 billion respectively in the development of substations, circuits, cable diversions, rehabilitation and modification works. The growing housing market will also be a driving force for the construction, connectivity and improvement of underground utilities systems, providing ample micro-tunneling works for the tunneling sector in Hong Kong.

#### **Shortage of construction workers in the tunneling sector**

According to the Construction Industry Council, there will be a short-term labour supply shortage in the tunneling sector of the construction industry which may delay the completion time for tunneling related projects in Hong Kong. The HKCIC 2014 figures estimate a shortage of approximately 25,000 to 30,000 construction workers per year from 2015 to 2017, and a shortage of 15,000 to 20,000 skilled construction workers in the same period due to a sharp increase in large-scale infrastructure construction works, and a dwindling number of construction worker supply in Hong Kong. Operating costs for construction works is anticipated to increase in the short-run, mainly due to labour shortages in the construction industry in Hong Kong.

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## INDUSTRY OVERVIEW

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Hong Kong's 2015 Policy Address aimed to attract more people to join the construction industry, provide training for construction workers, and help develop a professional image for workers in the construction industry. The Government has pledged to provide HK\$100 million for the Construction Industry Council to strengthen their resources to train skilled workers for the construction industry.

### COMPETITIVE LANDSCAPE

In 2014, the foundation sector in Hong Kong was consolidated with the top five players accounted for approximately 48.5% share of the total sector gross output value, while the civil engineering sector in Hong Kong was relatively dominated by the top five players, accounting for around 50.0% of total gross output value of the civil engineering sector, and the tunneling works industry in Hong Kong is consolidated by the top five players, accounting for approximately 34.3% of total revenue of the tunneling works industry in 2014. In 2014, foundation works and civil engineering works performed by the Company contributed approximately 0.3% to the total revenue of foundation and civil engineering sectors in Hong Kong. Furthermore, the Company also contributed around 0.6% of the total gross output value (or revenue) to the tunneling industry in Hong Kong in 2014, and approximately 1.2% of the total gross output value of non-MTRC tunneling works sector which includes electric cable microtunneling works. Moreover, if considering the total electric cable microtunneling works by the two electricity companies in 2014, the Company accounted for about 12.6% of this market.

### Top 5 Foundation Work Contractors in Hong Kong

The following table sets forth the information on the five largest foundation work contractors in Hong Kong in 2014:

Rank	Name of Company	Headquarter Location	Revenue in 2014 (HK\$ million)	Share of Total Industry Revenue (%)	Key Product and Service Scope
1	Company A	Hong Kong	3,192	16.4%	Large diameter bored pile (with bell-out), mini-pile, precast prestressed tubular pile, rock-socketed steel H-pile in pre-bored hole, steel H-pile, steel tubular pile
2	Company B	Beijing	2,289	11.7%	Large diameter bored pile (with bell-out), precast concrete pile, precast prestressed tubular pile, rock-socketed steel H-pile

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## INDUSTRY OVERVIEW

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Rank	Name of Company	Headquarter Location	Revenue in 2014 (HK\$ million)	Share of Total Industry Revenue (%)	Key Product and Service Scope
3	Company C	Hong Kong	1,654	8.5%	Barrette pile, large diameter bored pile (with bell-out), mini-pile, non-percussion cast-in-situ concrete pile, percussion cast-in-situ concrete pile, precast prestressed tubular pile, rock-socketed steel H-pile in pre-bored hole, steel H-pile, steel tubular pile
4	Company D	Hong Kong	1,211	6.2%	Large diameter bored pile (with bell-out, mini-pile, rock-socketed steel H-pile in pre-bored hole, steel H-pile
5	Company E	Hong Kong	1,110	5.7%	Bored piles, jacked piles, percussive piles, socketed H-piles, mini-piles, diaphragm wall, footings and pile caps
N/A Others	The Company (including 138 foundation work contractors)	Hong Kong	299 <sup>(Note 3)</sup> 9,733	1.5% 50.0%	Foundation and other civil works
Total			<u>19,488</u>	<u>100.0%</u>	

*Notes:* (1) Ranking table only includes the companies whose businesses mainly focus on foundation contracting works; (2) The total revenue in 2014 refers to the revenue generated from the whole foundation sector in Hong Kong; (3) Revenue of the Company refers to the total revenue generated from foundation and other civil works from 1 April 2014 to 31 March 2015 whilst the breakdown is not available.

*Sources:* Ipsos Report

As illustrated in the above table, the foundation sector in Hong Kong was consolidated with top five players accounted for approximately 48.5% share of the total sector gross output value. The remaining approximately 51.5% share of the total sector gross output value of the foundation sector is fragmented and the Company is directly competing with 138 other foundation works contractors in Hong Kong for this remaining portion of gross output value.

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## INDUSTRY OVERVIEW

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### Top 5 Civil Engineering Work Contractors in Hong Kong

The following table sets forth the information on the five largest civil engineering work contractors in Hong Kong in 2014:

Rank	Name of Company	Headquarter Location	Revenue in 2014 (HK\$ million)	Share of Total Industry Revenue (%)	Key Product and Service Scope
1	Company F	France	15,606	23.1%	Bridge, tunnel, MTR
2	Company C	Hong Kong	7,003	10.4%	Tunnel, terminal station, road, highway, express railway link, harbor area treatment
3	Company G	Australia	4,475	6.6%	Tunnel, harbor area treatment, bypass
4	Company H	Hong Kong	3,706	5.5%	Tunnel, water main, bypass, highway
5	Company I	Hong Kong	2,989	4.4%	Tunnel, sewage pumping station, water main
N/A	The Company	Hong Kong	299 <sup>(Note 4)</sup>	0.4%	Foundation and other civil works
Others	(including 298 civil engineering work contractors)		33,542	49.6%	
Total			67,620	100.0%	

*Notes:* (1) Ranking table only includes the companies whose businesses mainly focus civil engineering works; (2) The total revenue in 2014 refers to the revenue generated from the whole civil engineering sector in Hong Kong in 2014; (3) The figures include revenues generated from joint venture; (4) Revenue of the Company refers to the total revenue from foundation and other civil works generated from 1 April 2014 to 31 March 2015 whilst the breakdown is not available.

*Sources:* Ipsos Report

As illustrated in the above table, the civil engineering sector in Hong Kong was consolidated with top five players accounted for approximately 50.0% share of the total sector gross output value. The remaining approximately 50.0% share of the total sector gross output value of the civil engineering sector is fragmented and the Company is directly competing with 298 other civil engineering works contractors in Hong Kong for this remaining portion of gross output value.

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## INDUSTRY OVERVIEW

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### Top 5 Tunneling Work Contractors in Hong Kong

The following table sets forth the information on the five largest tunneling work contractors in Hong Kong in 2014:

Rank	Name of Company	Headquarter Location	Revenue in 2014 (HK\$ million)	Share of Total		Key Product and Service Scope
				Industry Revenue	(%)	
1	Company G	Australia	4,361	10.2%		Tunnel, MTR, harbor area treatment, bypass
2	Company F	France	4,261	9.9%		Bridge, tunnel, MTR
3	Company B	Hong Kong	2,636	6.1%		Tunnel, bypass
4	Common C	Hong Kong	2,072	4.8%		Tunnel, terminal station, road, highway, express railway link, harbor area treatment
5	Company H	Hong Kong	1,414	3.3%		Tunnel, through-hill tunnels, water main, bypass, highway, harbor area treatment
N/A	The Company	Hong Kong	279	0.6%		Electric cable microtunneling works involving pipe jacking, hand dig tunnel and cut-and-cover tunnel works
Others (including 161 tunneling work contractors)			27,913	65.1%		
Total			42,936	100.0%		

*Notes:* (1) Ranking table includes five largest companies by revenue generated from tunneling works in Hong Kong; and (2) The total revenue in 2014 refers to the revenue generated from the whole tunneling sector in Hong Kong in 2014; and (3) Revenue of the Company refers to the revenue generated from 1 April 2014 to 31 March 2015.

*Sources:* Ipsos Report

As illustrated in the above table, the tunneling works industry in Hong Kong was consolidated with top five players accounted for approximately 34.3% share of the total sector gross output value. The remaining approximately 65.7% share of the total sector gross output value of the tunneling works industry is fragmented and the Company is directly competing with 161 other tunneling works contractors in Hong Kong for this remaining portion of gross output value.

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## INDUSTRY OVERVIEW

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### **Market growth drivers of foundation, civil engineering and tunneling sectors in Hong Kong**

#### *Investment in urban renewal and development*

Government investment in urban renewal and development will expand the supply of public and private building construction, and the supporting infrastructure and community facilities essential to the new town areas. Some of the major ongoing urban planning and development areas include the Tung Chung New Town extension, Kwu Tung North, Fanling North, Ping Che/Ta Kwu Ling and Hung Shui Kiu which will serve as a major basis for Hong Kong's medium and long-term land and housing supply. Further development projects such as the Central Wan Chai Reclamation, Kai Tak Development, and West Kowloon Cultural District will be beneficial to the foundation, civil engineering and tunneling sectors in Hong Kong.

#### *Policies on residential development*

To address the increasing demand for residential properties and the overheated property market, the Hong Kong Government has implemented various measures to increase the supply of public housing and private residential land. For instance, to allocate more land for residential development, the Government has launched a 5-year plan, which includes providing public land for the Urban Renewal Authority's and MTRC projects, and providing approximately 210,000 public and private units from about 150 sites to be rezoned. These Government initiatives are expected to support the demand for foundation, civil engineering and tunneling services in Hong Kong.

#### *Large scale infrastructure projects*

Since the Ten Major Infrastructure Projects was introduced in 2007 Policy Address, large scale infrastructure projects have supported the growth of the foundation, civil engineering and tunneling sectors. These projects include the extension of the MTR lines and the development of Wan Chai and the New Territories. The trend is expected to continue, especially when more cross-border infrastructure projects are expected to be implemented given the closer relationship between Hong Kong and China.

### **Entry barriers to the foundation, civil engineering and tunneling sectors in Hong Kong**

#### *Huge capital investment*

Huge amount of initial capital is required to purchase specialised machinery for foundation, civil engineering and tunneling works and to fulfil the registered capital requirements in the industries. By having self-owned machinery, foundation contractors can enjoy the flexibility in resource allocation and project choices as they can use their own machinery, such as crawler cranes, air compressors, hydraulic crawler drills and other equipment whenever needed. However, huge investment in these specialised machineries is required. Furthermore, contractors in Hong Kong are subject to a number of minimum registered capital requirements if they want to register under different Government departments. For examples, to register on the Land Piling (Group II) list of the Development Bureau, a foundation contractor is required to have at least HK\$8,600,000. Therefore, the substantial amount of capital required to enter the industries is one of the entry barriers.

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## INDUSTRY OVERVIEW

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### *Insufficient industry experience*

Industrial experience is required when entering the foundation, civil engineering and tunneling sectors, as clients, especially those in the private sector, would likely assess the contractors based on their experiences and job records. New entrants with less or no previous industry experience would have less chances of being awarded works by the clients or the main contractors, and the lack of industry experience will also become an entry barrier when the entrant is required to obtain specific licensing for foundation, civil engineering and tunneling works.

### *Licensing requirements for foundation, civil engineering and tunneling works*

Contractors are required to register at different Government departments for civil engineering, foundation and tunneling works before engaging in a project. For civil engineering works, contractors are required to be on the Development Bureau's List of Approved Contractors for Public Works under the port works, roads and drainage, site formation or waterworks category. For foundation works, contractors are required to register on the list of Registered Specialist Contractors (Foundation Works) under the Buildings Department to qualify for private sector foundation works, and for foundation works for Government departments, it is mandatory for foundation contractors to register on the Approved Specialist List under the category of "Land Piling" by the Development Bureau. For works tendered by the Housing Authority, it is mandatory for foundation contractors to register on the Housing Authority List of Building Contractors.

Although there are no special tunneling permits or requirements in Hong Kong, contractors looking to bid for civil infrastructure tunneling works, such as through-hill tunnels, underground tunnels and immersed tunnels for roadways, railways, water supplies and drainage will be required to be on the Approved Public Works Contractors List under the Roads and Drainage, or Waterworks category under the Development Bureau. Furthermore, contractors will need to obtain an excavation permit from the Highways Department if the tunneling work requires excavation on public roads, and a blasting license from CEDD's Mines and Quarries Division for drill and blast tunneling methods. Since contractors may not carry out construction works in the civil engineering, foundation, and tunneling sectors without the proper licensing or permits, acquiring and possessing the necessary permits for these works is an entry barrier to competitors in the civil engineering, foundation, and tunneling industry.

### *Lack of reputation and credibility*

Reputation and credibility in on-time project delivery are an important competitive factor in the foundation, civil engineering and tunneling sectors. In general, reputation and credibility are accumulated through completing satisfactory construction projects effectively and efficiently. However, as a new entrant would need time to establish its reputation, the unestablished reputation may form an entry barrier to the industries.

## **Opportunities to the foundation, civil engineering and tunneling sectors in Hong Kong**

### *Growing population in Hong Kong*

Demand for residential buildings is expected to increase as Hong Kong's population continues to grow and expectedly reaches about 8.6 million in 2036. This increasing demand



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## INDUSTRY OVERVIEW

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is expected to be met with more renovation and construction projects of residential buildings. In fact, to address the issue, the Hong Kong Government has already introduced a few policies in the recent 3 years. For examples, measures have been implemented to increase the land supply for the MTRC projects and the Urban Renewal Authority's projects, and to provide an extra 150 hectares for residential land through rezoning about 80 additional Green Belt sites, Government institutions and community sites. According to the 2015 Policy Address, Wah Fu Estate will be redeveloped and areas near Wah Fu Estate, South of Pok Fu Lam will be used for public residential development. According to the 2015-16 Budget Speech, the Government has identified about 29 sites additionally for residential use. These initiatives will increase the demand for foundation, civil engineering and tunneling works in Hong Kong, and thus are opportunities to the industries.

### *On-going public infrastructure projects*

After the introduction of the Ten Major Infrastructure Projects by the Hong Kong Government in 2007, the large scale construction projects have provided substantial business opportunities to the foundation, civil engineering and tunneling sectors. In the 2015-16 Budget Speech, it is mentioned that a total of about HK\$76.3 billion will be spent on public infrastructure projects, which include the feasibility study of 6 sites inside the hotel belt near the Victoria Harbor and next to the Kai Tak Cruise Terminal, the proposal to build an artificial island as a new commercial district between the Hong Kong Island and the Lantau Island and etc. It is anticipated that these infrastructures projects will continue to provide opportunities to the foundation, civil engineering and tunneling sectors in Hong Kong in the next 5 years.

### **Threats to the foundation, civil engineering and tunneling sectors.**

#### *Labour shortage*

Labour shortage has been observed in Hong Kong's foundation, civil engineering and tunneling sectors because of an ageing workforce and decreasing young and new joiners to the industries. For instance, about 40% of the 336,002 registered workers had been in the construction industry for more than 10 years and were aged over 50 as of December 2014. As China and Macau increase their demand for construction workers because of their large scale construction projects, and as construction workers in Hong Kong move to these countries for higher salaries, the shortage of labour, especially those who are experienced and skilled, is expected to be worsened. As a result, project delay is expected to happen more frequently and project costs are expected to increase, as contractors retain the experienced construction workers by paying more. The labour shortage problem is likely to threaten the development of Hong Kong's foundation, civil engineering and tunneling sectors in the long run.

#### *Increasing operation costs*

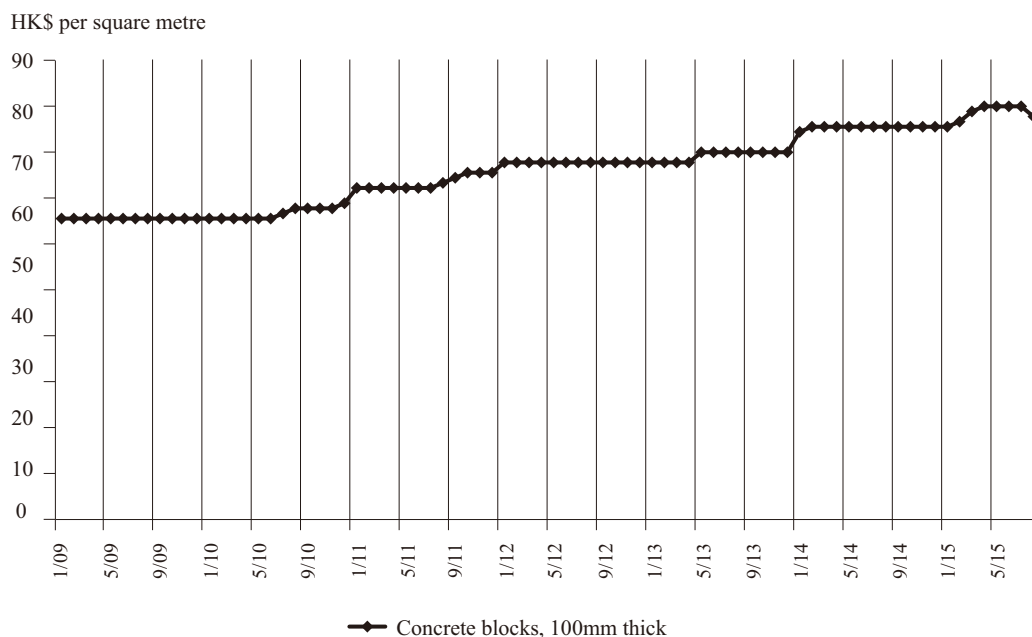
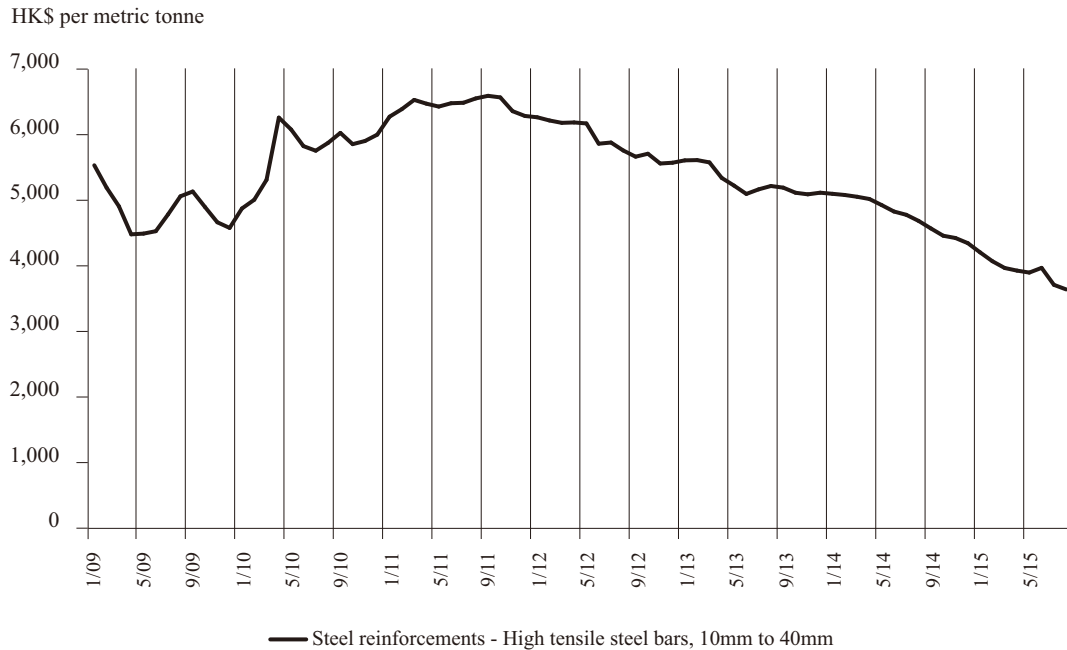
Same as the overall construction industry, the foundation, civil engineering and tunneling sectors have also been operating with increasing costs, mostly caused by increasing prices of raw materials and wages of construction workers. With the increasing prices of raw materials and labour wage, the operation costs have been pushed up which could lower the profit margins of the industries.

From 2009 to 2014, the average wholesale price of steel reinforcements decreased from an estimated HK\$4,857 per metric tonne to an estimated HK\$4,775 per metric tonne, at a CAGR of about -0.3%. The highest average wholesale price of steel reinforcements in Hong

## INDUSTRY OVERVIEW

Kong was in September 2011, at about HK\$6,595 per metric tonne, due to the increase in prices for iron ore and coking coal. However, from September 2011 to December 2014, the average wholesale price of steel reinforcements in Hong Kong had decreased by about 34.1% due to the decline in the global price of iron ore and oversupply of steel. From the beginning of 2015 to August 2015, the price of steel reinforcements decreased from an estimated HK\$4,208 per metric tonne to an estimated HK\$3,643 per metric tonne.

**Exhibit 5: Price Trend of Steel Reinforcements in Hong Kong from 2009 to August 2015**  
**Exhibit 6: Price Trend of Concrete Blocks in Hong Kong from 2009 to August 2015**



Sources: Census and Statistics Department, HKSAR; Ipsos Report

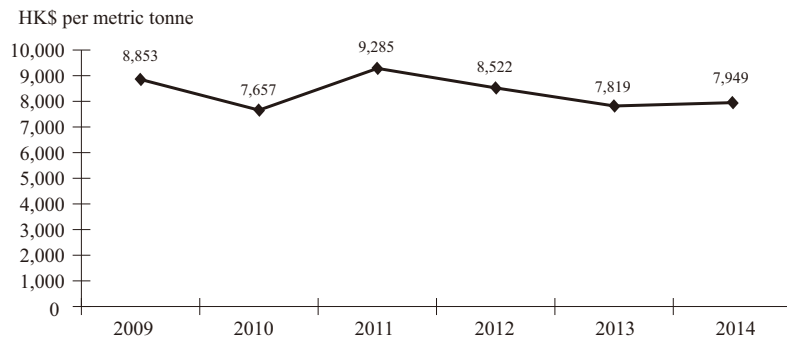
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From 2009 to 2014, the average wholesale price of concrete blocks in Hong Kong increased slightly from an average of about HK\$59.0 per square meter to an average of about HK\$76.9 per square meter, representing a CAGR of about 5.4%. Concrete blocks are usually used to construct commercial and industrial buildings. It is more time efficient and cost effective to construct durable and energy efficient buildings with concrete blocks, so more have preferred this type of construction materials, leading to the steady price growth of concrete blocks from 2009 to 2014. From the beginning of 2015 to August 2015, the price of concrete blocks in Hong Kong increased from an average of about HK\$77.0 per square metre to an average of about HK\$79.0 per square metre.

### Exhibit 7: Price Trend of Imported Structural Steel in Hong Kong from 2009 to 2014



*Notes: Structural steel includes U, I, L, T, H or hollow sections of iron or non-alloy steel, hot-worked, less than 80 mm high; U, I, L, T or H sections of iron or non-alloy steel, hot-worked, 80 mm or more than 80 mm high; Bars and rods of iron or non-alloy steel, hot-worked nesoi — concrete reinforcing, of rectangular (other than square) cross-section, not further worked than cold-formed or cold-finished; iron or steel welded angles, shapes and sections of bridges and bridge sections; towers and lattice masts; structures and parts of structures nesoi*

*Sources: Census and Statistics Department, HKSAR; Ipsos Report*

The average wholesale price of structural steel fluctuated between 2009 and 2014. The overall average wholesale price of structural steel dropped slightly from an estimated HK\$8,853 per metric tonne in 2009 to an estimated HK\$7,949 per metric tonne in 2014, at a CAGR of about -2.7%. The global production of steel dropped sharply in 2009 as steelmakers responded quickly to falling demands as a result of the 2008 financial crisis. The decline in steel production drove up prices of existing structural steel supply in the market, however, prices resumed to pre-2009 levels in 2010 as steel production recovered in demand and production.

The average wholesale price of structural steel imports peaked in 2011, at about HK\$9,285 per metric tonne due to the increased in raw material costs — iron ore and coking coal for the production of steel. Price of iron ore increased by 14% from 2010 levels after a post-slump from the 2008 financial crisis, and the price of coking coal maintained at a high over US\$200 per metric tonne between 2010 and 2012 which contributed to the increased price of imported structural steel in Hong Kong.

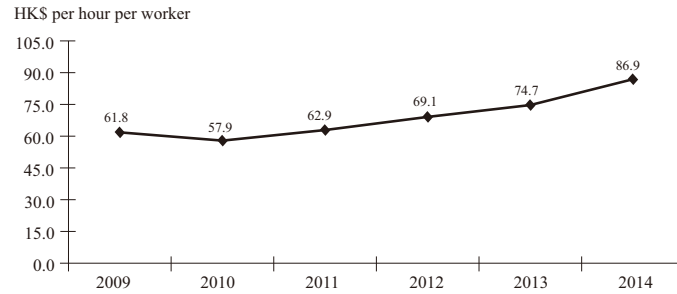
However, the average wholesale price of imported structural steel in Hong Kong resumed to 2010 levels by 2013. Average wholesale price of imported steel declined from around HK\$9,285 in 2011 to about HK\$7,819 per metric tonne in 2013 by an estimated CAGR of -8.2% due to the decline in the global price of iron ore during that period, and the global oversupply of steel which led to the price decline of structural steel imports to Hong Kong from 2011 levels.

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## INDUSTRY OVERVIEW

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**Exhibit 8: Average Wage of Construction Workers in Hong Kong from 2009 to 2014**



Sources: *Census and Statistics Department, HKSAR; Ipsos Report*

From 2009 to 2014, the average wage of construction workers in Hong Kong grew at a CAGR of approximately 7.1%, from about HK\$61.8 per hour to about HK\$86.9 per hour. The growth was attributed to the problem of labour shortage and ageing workers, which has been getting worse in Hong Kong's construction industry. As the demand for construction workers remains stable and even high these years, the shortage of construction workers has led to the fast growth of the average wage of construction workers in Hong Kong. Increasing average wage of construction workers has increased the labour cost of construction works in Hong Kong, which has been transferred from the contractors to the customers. As a result, the final project fees have been increasing.

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## LAWS AND REGULATIONS

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### OVERVIEW

Our Group is an established contractor in Hong Kong and is principally engaged in the provision of (i) foundation works, including the construction of mini-piles, rock-socketed steel H-piles and driven steel H piles, and other civil works, including site formation works and roads and pavement works; and (ii) tunneling works, including pipe jacking, hand dig tunnel and cut-and-cover tunnel works. This section sets out summaries of certain aspects of Hong Kong laws, rules and regulations which are material to our operation and business.

### LAWS AND REGULATIONS IN RELATION TO THE CONTRACTOR LICENSING REGIME

#### Buildings Department

The Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) governs the planning, design and construction of buildings and associated works. Under the current contractors registration system in Hong Kong, a contractor carrying out building works in the private sector must be registered with the Buildings Department either as Registered General Building Contractor, Registered Specialist Contractor or minor works contractor. The registration of specialist contractors is categorised by specialisation in demolition works, foundation works, site formation works, ventilation works and ground investigation field works. Registered General Building Contractors may carry out general building works and street works which do not include any specialised works designated for Registered Specialist Contractors.

Under section 9 of the Buildings Ordinance, a person is required to appoint a Registered General Building Contractor to carry out for him building works (other than specialised works and minor works) and a person is required to appoint a Registered Specialist Contractor to carry out for him specialised works (other than the specialised works designated as minor works) of the category for which the contractor is registered. The Registered General Building Contractor and Registered Specialist Contractor appointed shall be required to, inter alia, provide continuous supervision to the carrying out of the relevant works in accordance with his supervision plan.

Set out below are the requirements to register as a general building contractor and specialist contractor in foundation works under the Buildings Ordinance.

Under section 8B(2) of the Buildings Ordinance, an applicant for registration as a Registered General Building Contractor or Registered Specialist Contractor must satisfy the Building Authority on the following aspects:

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

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

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

A person is permitted to take up the roles of the Authorised Signatory as well as the Technical Director of a corporation at the same time provided that he meets the requirements of both Authorised Signatory and Technical Director. If an Other Officer is required, he is permitted to assist the Technical Director only. In such case, the Authorised Signatory is not permitted to take up the role of an Other Officer.

Set out below is our Group’s registration with the Buildings Department:

Name of Group member	Qualification	Date of Registration
Yee Hop Engineering	1. Registered General Building Contractor ( <i>Note 1</i> )	7 May 2008
	2. Registered Specialist Contractor in foundation works category ( <i>Note 2</i> )	26 July 2011

*Notes:*

1. The authorised signatory and the technical director are Mr. Chui Heung Wing and Mr. Leung Hung Kwong Derrick respectively.
2. The authorised signatories are Mr. Chui Heung Wing and Mr. Leung Hung Kwong Derrick and the technical director is Mr. Leung Hung Kwong Derrick.

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## LAWS AND REGULATIONS

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In order to undertake foundation works as a main contractor in relation to projects of property developers, public utility companies, statutory bodies (to the exception of Government departments), a contractor must be registered with the Buildings Department as a Registered Specialist Contractor under the category of foundation works, unless the main contractor subcontracts those works to a Registered Specialist Contractor as described below.

Where the main contractor engages a Registered Specialist Contractor under the category of foundation works to undertake foundation works, irrespective of whether such foundation works form the whole or part of the construction works, the main contractor itself would not be required to be a Registered Specialist Contractor under the relevant category.

Subcontractors undertaking foundation works are required to be Registered Specialist Contractors under the category of foundation works if the main contractor is not registered as the specialist contractor under the said category.

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

The Buildings Department imposes specific requirements on the qualifications and experience of the key personnel of a Registered Specialist Contractor in the foundation works categories. The following table summarises the said specific requirements for Registered Specialist Contractor in the foundation works category imposed by the Buildings Authority:

<b>Key personnel</b>	<b>Specific requirements on the key personnel</b>
Technical director	Must have: <ol style="list-style-type: none"><li>1. at least eight years of experience in managing a building contractor company or equivalent; or</li><li>2. a university degree in relevant discipline or equivalent qualification and 5 years' local experience in the building industry, of which 2 years was engaged in foundation works.</li></ol>
Authorised signatory	Must have: <ol style="list-style-type: none"><li>1. a minimum of five years' experience engaged in foundation works;</li><li>2. worked on at least seven local foundation projects in Hong Kong for an aggregate period of not less than 18 months; and</li><li>3. at least a higher certificate, diploma or equivalent in the relevant field.</li></ol>

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### **Key personnel**

### **Specific requirements on the key personnel**

Other Officer

If this role is required, the Other Officer must have:

1. At least five years of local experience in the building industry, of which two years' experience was engaged in foundation; and
2. a university degree or equivalent in a relevant field.

### **Development Bureau**

The Architectural Services Department, Buildings Department, Civil Engineering and Development Department, Drainage Services Department, Electrical and Mechanical Services Department, Lands Department, Land Registry, Planning Department and Water Supplies Department fall under the administration of the Development Bureau. The requirements to tender for projects of these departments normally include the listing of the contractors with the Development Bureau.

The Development Bureau maintains two lists, namely the Approved Public Works Contractors List and the Approved Specialist List.

Set out below is the Group's registration with the Development Bureau:

<b>Name of Group member</b>	<b>Qualification</b>	<b>Date of Registration</b>
Yee Hop Engineering	1. Approved supplier of Materials and Specialist Contractor for Public Works — Land Piling (Group II) — Rock-socketed, Steel H-Pile in Pre-bored Hole, Mini-pile and Steel H Pile	17 July 2013
	2. Approved contractor for Public Works — Port Works (Group B)	28 April 2014
	3. Approved contractor for Public Works — Site Formation (Group BP)	16 June 2006
	4. Approved contractor for Public Works — Waterworks (Group BP)	28 November 2005
	5. Approved contractor for Public Works — Roads and Drainage (Group CP)	29 December 2009



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### *Foundation works*

Registration with the Buildings Department as a Registered Specialist Contractor under the category of foundation works is one of the minimum requirements for contractors undertaking foundation works of the Government departments under the Development Bureau.

If a contractor wishes to carry out foundation works of the Government departments, it must be included in the Approved Specialist List under the category of “Land Piling (Group I)” or “Land Piling (Group II)” which is administered by the Work Branch Development Bureau (the “**WBDB**”) in respect of the relevant piling system. The scope of work covers design, supply and installation of registered piling systems on land. The said land piling category covers 11 kinds of piling system: barrette pile, hand dug caisson, precast concrete pile, large diameter bored pile, mini-pile, non-percussion cast-in-situ concrete pile, percussion cast-in-situ concrete pile, precast prestressed tubular pile, rock socketed steel H-pile in pre-bored hole, steel H-pile and steel tubular pile. The requirements for registration under each kind of piling system are basically the same except that the contractor seeking registration will have to provide the method statement, typical calculations, acceptable references and satisfactory demonstration on site in respect of that particular kind of piling system.

Registration under “Land Piling (Group II)” of the Approved Specialist List enables the contractor to undertake foundation contracts/subcontracts of unlimited value from the Government departments.

Contractors are further required to meet the financial, technical, management, personal and safety criteria applicable to their appropriate category and group for admission and retention on the Approved Specialist List and for the award of public works contracts. For retention on the Approved Specialist List, a contractor should generally possess at least a positive capital value. In addition, a contractor is required to maintain certain minimum levels of employed capital, working capital and annual turnover applicable to the appropriate category and group.

In granting a registration/approval to a foundation contractor, the WBDB takes into consideration, among others, (a) the contractor’s financial strength; (b) the contractor’s technical experience and management capability; (c) the machinery and equipment maintained by the contractor; and (d) the job references from customers.

For promotion and retention as an approved contractor on the Approved Specialist List (Land Piling (Group II) category) — “Steel H-pile” system, “Rock-socketed Steel H-pile in pre-bored hole” system and “Mini-pile” system, our Group is required to meet the minimum financial criteria and other requirements as follows:

a. Minimum employed capital

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

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b. Minimum working capital

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

c. Minimum technical and management criteria/other requirements

i. A Registered Specialist Contractor in the foundation sub-register under the Buildings Ordinance.

ii. Possess Quality Management System certificates issued under the rules of the Hong Kong Certification Body Accreditation Scheme (the “HKCAS”) operated by the Hong Kong Accreditation Service, i.e. bearing the HKCAS Accreditation Mark, and Quality Management System certificates bearing the accreditation mark of other accreditation bodies which are considered as having an equivalent standard by the Environment, Transport and Works Bureau. The scope of certification shall be relevant to the piling system under application.

iii. Top management: at least one member of the resident top management with a minimum of five years local experience in managing a construction firm obtained in the past eight years.

iv. Technical staff: at least two persons with a relevant degree from a Hong Kong university or equivalent with at least five years post-graduate local experience in piling works. Top management shall be the president, chairman, director, managing director, executive director or general manager etc.

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

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

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

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

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

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### *Port works, roads and drainage, site formation and waterworks projects*

Set out below are the requirements for an approved contractor under the categories of port works, roads and drainage, site formation and waterworks to undertake port works, roads and drainage, site formation and waterworks projects of the Development Bureau.

The Approved Public Works Contractors List maintained by the Development Bureau comprise contractors who are approved for carrying out public works in port works, roads and drainage, site formation and waterworks. Contractors within each category are further divided into Group A, B or C according to the value of contracts for which they are normally eligible to tender. A contractor's status in a particular group will be either probationary or confirmed.

The value upon which contracts are grouped is based on the value of the tendered sum offered by the successful tenderer. The limits are periodically adjusted and are currently set as follows:

Group A — contracts of value up to HK\$75 million.

Group B — contracts of value up to HK\$185 million.

Group C — contracts of any value exceeding HK\$185 million.

Group C contractors will normally not be allowed to tender for contracts in Groups A and B.

Contractors are required to meet the financial, technical, management, personal and safety criteria applicable to their appropriate category and group for admission and retention on the Approved Public Works Contractors List and for the award of public works contracts. For retention on the Approved Public Works Contractors List, a contractor should generally possess at least a positive capital value. In addition, a contractor is required to maintain certain minimum levels of employed capital, working capital and annual turnover applicable to the appropriate category and group.

In granting a registration/approval in respect of port works, roads and drainage, site formation or waterworks contractor, Development Bureau takes into consideration, among others, (a) the contractor's financial strength; (b) the contractor's technical experience and management capability; (c) the machinery and equipment maintained by the contractor; and (d) the job references from customers.

For promotion and retention as an approved contractor on the Approved Public Works Contractors List under the Port Works (Group B), our Group is required to meet the minimum financial criteria and other requirements as follows:

a. Minimum employed capital

HK\$10.1 million plus HK\$5.8 million for every HK\$86 million of annualised outstanding works or part thereof above HK\$150 million, subject to a maximum of HK\$21.7 million.

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b. Minimum working capital

HK\$10.1 million or 10% on annualised outstanding works, whichever is higher.

c. Minimum technical and management criteria/other requirements

- i. Satisfactory completion as the main contractor of one Government or non-Government port works contract executed in Hong Kong within the past five years, after inclusion in the Group BP, of value over 50% of the Group B limit.
- ii. Top management: at least one member of the resident top management with a minimum of three years local experience in managing a construction firm obtained in the past five years.
- iii. Technical staff: at least one person with either a higher certificate in civil engineering with two years, or an ordinary certificate in civil engineering with three years local working experience in the same category from a Hong Kong polytechnic, a Hong Kong recognised training institution or equivalent. Top management shall be the president, chairman, director, managing director, executive director or general manager, etc.

For entry on probation as an approved contractor on the Approved Public Works Contractors List under the Site Formation (Group BP), our Group is required to meet the minimum financial criteria and other requirements as follows:

a. Minimum employed capital

HK\$4.9 million plus HK\$2.9 million for every HK\$43 million of annualised outstanding works or part thereof above HK\$73 million, subject to a maximum of HK\$10.6 million.

b. Minimum working capital

HK\$4.9 million or 10% on annualised outstanding works, whichever is higher.

c. Minimum technical and management criteria/other requirements

Satisfactory completion of one site formation works contract within the past five years. The contract shall be of value over 50% of the Group B limit and shall involve earthworks quantity (excluding quarrying and maintenance of spoil dumps) not less than 50,000m<sup>3</sup>. Experience as a subcontractor will be accredited.

*Note:* Requirements of top management and technical staff are exactly the same as for confirmed category above.

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For entry on probation as an approved contractor on the Approved Public Works Contractors List under the Waterworks (Group BP), our Group is required to meet the minimum financial criteria and other requirements as follows:

a. Minimum employed capital

HK\$4.9 million plus HK\$2.9 million for every HK\$43 million of annualised outstanding works or part thereof above HK\$73 million, subject to a maximum of HK\$10.6 million.

b. Minimum working capital

HK\$4.9 million or 10% on annualised outstanding works, whichever is higher.

c. Minimum technical and management criteria/other requirements

Satisfactory completion of one waterworks contract within the past five years. The contract shall be of value over 70% of the Group B limit and cover mainlaying works. Experience as a subcontractor will be accredited.

*Note:* Requirements of top management and technical staff are exactly the same as for confirmed category above.

For entry on probation as an approved contractor on the Approved Public Works Contractors List under the Roads and Drainage Group C (on probation), our Group is required to meet the minimum financial criteria and other requirements as follows:

a. Minimum employed capital

HK\$14.8 million plus HK\$2 million for every HK\$100 million of annualised outstanding works or part thereof above HK\$950 million.

b. Minimum working capital

HK\$14.8 million or 8% on the first HK\$950 million of annualised outstanding works and 10% on remainder, whichever is higher.

c. Minimum technical and management criteria/other requirements

i. Satisfactory completion as the main contractor of at least one roads and drainage works contract within the past seven years. Total value of not more than two of the above contracts shall be over 140% of probationary limit of Group C.

ii. Top management: at least one member of the resident top management shall have a minimum of five years local experience in managing a construction firm obtained in the past eight years.

iii. Technical staff: at least two persons with a relevant degree from a Hong Kong university or equivalent with at least five years post-graduate local working experience in the relevant category of works.

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### LAWS AND REGULATIONS IN RELATION TO CONSTRUCTION LABOUR, HEALTH AND SAFETY

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

In Hong Kong, the recruitment of construction workers should comply with the Construction Workers Registration Ordinance and the subsidiary regulations.

The Construction Workers Registration Ordinance implements a registration system which requires construction workers to be registered before carrying out construction work on a construction site. There are certain prohibition provisions which specify that designated trades may be carried out only by registered skilled workers for that particular trade.

Under the Construction Workers Registration Ordinance, “construction work” means, *inter alia*, the construction, erection, installation or reconstruction of any specified structure, the addition, renewal, alteration, repair, dismantling or demolition of any specified structure that involves the structure of the specified structure or any other specified structure, and any building operation involved in preparing for any operation above. “Construction site” means a place where construction work is, or is to be, carried out.

No person shall be registered as a registered construction worker unless the Registrar of Construction Workers is satisfied that, *inter alia*, the person has attended the relevant construction work-related safety training courses. Further, the Registrar shall not renew the registration of a person unless the Registrar is satisfied that (i) the person has attended relevant construction work-related safety training course and (ii) if the registration will, on the date of its expiry, have been in effect for not less than two years, the person has attended and completed, during the period of one year immediately before the date of application for renewal of the registration, such development courses applicable to his registration as the Construction Workers Registration Authority may specify.

Under section 3(1) of the Construction Workers Registration Ordinance, a person shall not personally carry out construction work on a construction site unless the person is a registered construction worker. Any person who contravenes this requirement commits an offence and is liable on conviction to a fine of HK\$10,000.

Under section 5, any person who employs another person who is not a registered construction worker to personally carry out on a construction site construction work commits an offence and is liable on conviction to a fine of HK\$50,000.

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

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

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

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

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

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

In addition, under the Factories and Industrial Undertakings (Safety Management) Regulations (Chapter 59AF of the Laws of Hong Kong) (“**Safety Management Regulation**”), any contractor in carrying out construction works with a contract value of HK\$100 million or more or having an aggregate of 100 or more workers in a day working in one or more construction sites is obliged to appoint a registered safety auditor to conduct a safety audit to collect, assess and verify information on the efficiency, effectiveness and reliability of its safety management system at least once in every six months. Any person who contravenes this requirement commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment of six months.

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

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

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

- providing and maintaining plant and systems of work that are safe and without risks to health;
- making arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;

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- providing all necessary information, instructions, training and supervision for ensuring safety and health;
- as regards any workplace under the employer's control:
  - maintenance of the workplace in a condition that is safe and without risks to health; and
  - provision and maintenance of means of access to and egress from the workplace that are safe and without any such risks; and
- providing and maintaining a working environment for their employees that is safe and without risks to health.

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

The Commissioner for Labour may also issue (i) an improvement notice against any non-compliance of this Ordinance or the FIU Ordinance; or (ii) a suspension notice against an employer if in general an activity is undertaken at the workplace which may create an imminent hazard to the employees. Failure to comply with such notice without reasonable excuse constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000, respectively and imprisonment of up to 12 months.

### **The Electricity Supply Lines (Protection) Regulation (Chapter 406H of the Laws of Hong Kong)**

The Electricity Supply Lines (Protection) Regulation regulates construction works in the vicinity of underground power cables and overhead lines and imposes requirements to prevent electrical accidents and power interruption arising from such construction works.

The Code of Practice on Working near Electricity Supply Lines (the “**Electricity Supply Lines Code**”) elaborates upon the requirements of the Electricity Supply Lines (Protection) Regulation and sets out the requirements for, and reasonable steps to be taken to ascertain the existence of, any underground power cables and overhead lines in close proximity to any proposed construction works. In particular, the Electricity Supply Lines Code outlines the “Safe System of Work”, which requires site contractors and workers to obtain relevant information from power companies, engage a qualified “competent person” to locate underground cables and adopt safe working practices when carrying out works in the vicinity of underground power cables and overhead lines. In addition, power companies are also required to provide information relevant to power cables and lines in the vicinity of works upon request. The Electrical and Mechanical Services Department maintains and administers a list of approved “competent persons” for locating underground power cables.



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### **Dangerous Goods Ordinance (Chapter 295 of the Laws of Hong Kong)**

Pursuant to the Dangerous Goods Ordinance (Chapter 295 of the Laws of Hong Kong), storage of any dangerous goods in excess of the prescribed exempted quantity shall require a dangerous goods licence.

Under the Dangerous Goods Ordinance, “dangerous goods” include all explosives, compressed gases, petroleum and other substances giving off inflammable vapours, substances giving off poisonous gas or vapour, corrosive substances, substances which become dangerous by interaction with water or air, substances liable to spontaneous combustion or of a readily combustible nature.

Under Section 6 of the Dangerous Goods Ordinance, no person shall store any dangerous goods in excess of exempted quantity in any premises or places without a licence issued by the director of the Fire Services Department. In accordance with Regulation 74 of the Dangerous Goods (General) Regulations, the exempted quantities of oxygen (gas), oxygen (liquid) and acetylene gas are two cylinders, 10 litres and two cylinders respectively. Pursuant to Regulation 77 of the Dangerous Goods (General) Regulations, every application for any licence to manufacture or store in bulk any permanent gas or liquefied gas shall be made in writing addressed to the director of the Fire Services Department. In accordance with Regulation 99 of the Dangerous Goods (General) Regulations, the exempted quantity of diesel oil is 2,500 litres. Storage tank for diesel oil requires the approval from the director of the Fire Services Department in accordance with Regulation 99A of the Dangerous Goods (General) Regulations.

Under Section 14 of the Dangerous Goods Ordinance, any person who contravenes Section 6 of the Dangerous Goods Ordinance shall be guilty of an offence and shall be liable to a fine of HK\$25,000 and to imprisonment for 6 months.

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

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

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

### **Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)**

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

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

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

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

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

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

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

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

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

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

The Mandatory Provident Fund Schemes Ordinance provides for, inter alia, the establishment of a system of privately managed, employment-related mandatory provident fund schemes for members of the workforce to accrue financial benefits for retirement.

Under the Mandatory Provident Fund Schemes Ordinance, the employer and its relevant employee, meaning an employee of 18 years of age or over and below retirement age which is 65 years of age, are each required to make contributions to the plan at 5% of the relevant employees' relevant income, meaning any wages, salary, leave pay, fee, commission, bonus, gratuity, perquisite or allowance expressed in monetary terms, paid or payable by an employer to the relevant employee in consideration of his employment under his employment contract. With effect from 1 June 2012, the maximum level of relevant income of a relevant employee was adjusted from HK\$20,000 to HK\$25,000, and thus the relevant maximum mandatory contribution was adjusted from HK\$1,000 to HK\$1,250. With effect from 1 June 2014, the maximum level of relevant income of a relevant employee was further adjusted from HK\$25,000 to HK\$30,000, and thus the relevant maximum mandatory contribution was adjusted from HK\$1,250 to HK\$1,500.

Under section 2 of the Mandatory Provident Fund Schemes Ordinance, relevant employees who are engaged in the construction industry and employed by an employer on a day-to-day basis or for a fixed period of less than 60 days are deemed casual employees. With effect from 1 June 2012, the maximum level of relevant income for casual employees was also adjusted from HK\$650 to HK\$830 daily. With effect from 1 June 2014, the maximum level of relevant income for casual employees was further adjusted from HK\$830 to HK\$1,000 daily.

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

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

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

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

The Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate (currently set at HK\$32.5 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance. Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by this ordinance is void.

## **LAWS AND REGULATIONS IN RELATION TO ENVIRONMENTAL PROTECTION**

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

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

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

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

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

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

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## LAWS AND REGULATIONS

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### **Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (Chapter 311Z of the Laws of Hong Kong)**

The Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation came into operation on 1 June 2015 with a view of improving air quality. The Regulation has introduced regulatory control on the emissions of non-road mobile machinery including non-road vehicles and regulated machines such as crawler cranes, excavators and air compressors.

Under the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation, the regulated machines must comply with the emission standards of Stage IIIA of the European Union or the equivalent. Upon confirmation of their compliance with the emission requirements, the regulated machines will be issued with an approval label by the Environmental Protection Department. Existing regulated machines will be exempted from the emission compliance requirement. Upon application made by the owners of the existing regulated machines during the period from 1 June 2015 to 30 November 2015, the Environmental Protection Department will issue exemption labels to them.

Under section 4(1) of the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation, a person must not sell or lease, or cause to be sold or leased, a regulated machine for use in Hong Kong unless the machine is approved. Under 4(2) of the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation, a person who sells or leases, or causes to be sold or leased, a regulated machines that is approved or exempted must ensure that the machines bears a label that is properly painted, affixed and maintained thereon in accordance with the requirement specified in Schedule 2 of the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation. A person who contravenes section 4(1) commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for 6 months whereas a person who contravenes section 4(2) commits an offence and is liable on conviction to a fine of HK\$50,000 and to imprisonment for 3 months.

Under section 5(1) of the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation, a person must not use, or cause to be used a regulated machine in a specified activity unless the machine is approved. Under section 5(2), a person who uses or causes to be used in a specified activity a regulated machines that is approved or exempted must ensure that the machines bears a label that is properly painted, affixed and maintained thereon in accordance with the requirement specified in Schedule 2 of the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation. A person who contravenes section 5(1) commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for 6 months whereas a person who contravenes section 5(2) commits an offence and is liable on conviction to a fine of HK\$50,000 and to imprisonment for 3 months.

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

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

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## LAWS AND REGULATIONS

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Under the Noise Control Ordinance, construction works that use powered mechanical equipment (other than percussive piling) are not allowed between 7:00 p.m. and 7:00 a.m. or at any time on general holidays, unless prior approval has been granted by the Noise Control Authority through the construction noise permit system. The use of certain equipment is also subject to restrictions. Hand-held percussive breakers and air compressors must comply with noise emissions standards and be issued with a noise emission label from the Noise Control Authority. Schedule 1 of the Noise Control (Hand Held Percussive Breakers) Regulations (Chapter 400D of the Laws of Hong Kong) set out the maximum permissible sound power levels based on the different masses of the hand-held percussive breakers. Similarly, Schedule 1 of the Noise Control (Air Compressors) Regulations (Chapter 400C of the Laws of Hong Kong) sets out the maximum permissible sound power levels based on the different air flows of the air compressors.

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

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

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

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

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

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

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

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

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## LAWS AND REGULATIONS

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

Under the Waste Disposal Ordinance, a person shall not use, or permit to be used, any land or premises for the disposal of waste unless he has a licence from the Environmental Protection Department. A person who except under and in accordance with a permit or authorisation, does, causes or allows another person to do anything for which such a permit or authorisation is required commits an offence and is liable to a fine of HK\$200,000 and to imprisonment for 6 months for the first offence, and to a fine of HK\$500,000 and to imprisonment for 2 years for a second or subsequent offence.

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

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

Under the Dumping at Sea Ordinance, a person who except under and in accordance with a permit, does anything or causes or allows another person to do anything for which a permit is needed commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for 6 months on a first conviction; and to a fine of HK\$500,000 and to imprisonment for 2 years on a second or subsequent conviction; and in addition, to a further fine of HK\$10,000 for each day that the court is satisfied that the operation has continued.

### **COMPLIANCE**

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, our Group has obtained all the registrations and certifications required for our business and operations in Hong Kong, and all of them are in force as at the Latest Practicable Date. Having considered the advice of the legal advisors as to the applicable Hong Kong laws and regulations related to the construction industry, our Directors confirmed that the carrying out of the foundation and other civil works; and tunneling works by our Group in Hong Kong is valid and complies with the laws in Hong Kong in all material respects.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### BUSINESS AND CORPORATE DEVELOPMENT

#### Overview

Our history can be traced back to 1989 when Yee Hop Engineering was founded by Mr. Jim and Mr. Chui with their personal wealth. Both Mr. Jim and Mr. Chui had respectively accumulated at least four and 18 years of experience in the construction industry prior to the setting up of Yee Hop Engineering. For the biographical details of Mr. Jim and Mr. Chui, please refer to the section headed “Directors, Senior Management and Employees” of this prospectus.

As at the Latest Practicable Date, Yee Hop Engineering was on the Development Bureau’s Approval Contractors List and was registered with the Buildings Department as a Registered General Building Contractor and a Registered Specialist Contractor in foundation works. With such registrations, Yee Hop Engineering is able to act as a contractor for both private and public sectors in respect of the areas of works that the relevant registrations cover.

Set forth below is a chronological review of the key business milestones of our Group:

<b>Date</b>	<b>Milestones</b>
January 1989	Yee Hop Engineering was incorporated in Hong Kong and commenced its business as a subcontractor engaged in site formation and road works
March 1998	Yee Hop Construction was incorporated in Hong Kong and commenced its business of construction works in the same year
December 2000	Yee Hop Engineering was accredited ISO 9001:2000 in relation to quality management system ( <i>Note 1</i> )
January 2002	Yee Hop Engineering was included in the Road and Drainage (Group AP) and Waterworks (Group AP) in the Approved Public Works Contractors List
July 2002	Yee Hop Engineering commenced its first tunneling works with the support of machinery as a subcontractor
November 2005	Yee Hop Engineering was included in the Waterworks (Group BP) in the Approved Public Works Contractors List
January 2006	Yee Hop Engineering was confirmed in the Roads and Drainage (Group B) in the Approved Public Works Contractors List
June 2006	Yee Hop Engineering was included in the Site Formation (Group BP) in the Approved Public Works Contractors List



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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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<b>Date</b>	<b>Milestones</b>
October 2007	Yee Hop Engineering was included in the Port Works (Group BP) in the Approved Public Works Contractors List
May 2008	Yee Hop Engineering was included in the Register of Registered General Building Contractors of the Buildings Department
December 2009	Yee Hop Engineering was included in the Roads and Drainage (Group CP) in the Approved Public Works Contractors List
March 2010	Yee Hop Construction was engaged in tunneling works as a subcontractor
July 2011	Yee Hop Engineering was included in the Register of Registered Specialist Contractors in the foundation works category of the Buildings Department
August 2011	Yee Hop Engineering was first awarded tunneling works term contract as a main contractor for a term of five years
July 2012	Y.H. Foundations was incorporated in Hong Kong and commenced business as a subcontractor engaged in foundation works in the same year
December 2012	Yee Hop Engineering was accredited ISO 14001:2004 in relation to environmental management system ( <i>Note 2</i> )
July 2013	Yee Hop Engineering was included in the Approved Specialist List under Land Piling (Group II) category covering “Mini-pile”, “Rock-socketed Steel H-Pile in Pre-bored Hole” and “Steel H-Pile”
April 2014	Yee Hop Engineering was confirmed in the Port Works (Group B) in the Approved Public Works Contractors List
August 2014	Yee Hop Engineering was accredited OHSAS 18001:2007 in relation to occupational health and safety management system
April 2015	Yee Hop Engineering was accredited ISO 50001:2011 in relation to energy management system

*Notes:*

- (1) Our ISO 9001:2000 accreditation for Yee Hop Engineering has been revised by ISO 9001:2008, which was renewed upon each expiry since 2008 and the current one is valid till 27 June 2017.
- (2) Our ISO 14001:2004 accreditation for Yee Hop Engineering was renewed upon each expiry since 2012 and the current one is valid till 24 December 2015.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### CORPORATE HISTORY

Our Group consists of our Company and seven subsidiaries. Set out below is the corporate history of our Company and our major subsidiaries.

#### **Our Company**

On 12 February 2015, our Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each, of which one Share was allotted and issued fully paid to an initial subscriber at par. On 12 February 2015, such subscriber's Share was transferred to YH Assets for cash at par and the share transfer was legally completed on the same date. Following completion of the Reorganisation, our Company became the holding company of our subsidiaries and all the issued Shares were held by YH Assets. For details of the Reorganisation, please refer to the paragraph headed "Reorganisation" below in this section.

#### **YH Investments**

YH Investments was incorporated in BVI on 12 February 2015 as a limited liability company authorised to issue a maximum of 50,000 shares of US\$1.00 each, of which 1,000 shares were allotted and issued fully paid to YH Assets at par on 12 February 2015.

On 14 August 2015, our Company and YH Assets entered into the sale and purchase agreement relating to the entire issued share capital of YH Investments, pursuant to which YH Assets transferred 1,000 shares of YH Investments, which represented the entire issued share capital of YH Investments, to our Company in consideration of our Company allotting and issuing 99 Shares, all credited as fully paid up, to YH Assets. The said transfer and allotment of shares were legally completed on the same date. As a result, YH Investments became a wholly-owned subsidiary of our Company.

As at the Latest Practicable Date, YH Investments was a direct wholly-owned subsidiary of our Company and an intermediate holding company of our Group.

#### **YH Construction BVI**

YH Construction BVI was incorporated in BVI on 16 February 2015 as a limited liability company authorised to issue a maximum of 50,000 shares of US\$1.00 each, of which 1,000 shares were allotted and issued fully paid to YH Investments at par on 16 February 2015.

As at the Latest Practicable Date, YH Construction BVI was an intermediate holding company of our Group and held the entire issued share capital of Yee Hop Construction.

#### **YH Engineering BVI**

YH Engineering BVI was incorporated in BVI on 16 February 2015 as a limited liability company authorised to issue a maximum of 50,000 shares of US\$1.00 each, of which 1,000 shares were allotted and issued fully paid to YH Investments at par on 16 February 2015.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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As at the Latest Practicable Date, YH Engineering BVI was an intermediate holding company of our Group and held the entire issued share capital of Yee Hop Engineering.

### **YH Foundations BVI**

YH Foundations BVI was incorporated in BVI on 19 February 2015 as a limited liability company authorised to issue a maximum of 50,000 shares of US\$1.00 each, of which 1,000 shares were allotted and issued fully paid to YH Investments at par on 19 February 2015.

As at the Latest Practicable Date, YH Foundations BVI was an intermediate holding company of our Group and held the entire issued share capital of Y.H. Foundations.

### **Yee Hop Engineering**

On 10 January 1989, Yee Hop Engineering (formerly known as Milicores Engineering Limited (美合工程有限公司)) was incorporated in Hong Kong as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each, of which two shares were issued to two independent initial subscribers.

On 26 May 1989, each of the subscribers transferred one share of Yee Hop Engineering to each of Mr. Jim and Mr. Chui at par and such transfer was legally completed on the same date.

During the period from March 2001 to April 2014, the authorised share capital of Yee Hop Engineering had been increased for several times from HK\$10,000 divided into 10,000 shares of HK\$1.00 each to HK\$16,000,000 divided into 16,000,000 shares of HK\$1.00 each. The number of issued shares of Yee Hop Engineering had also been increased during such period from two shares to 14,800,000 shares by way of several share allotments. The percentage of shareholding of Yee Hop Engineering remained the same at all times with each of Mr. Jim and Mr. Chui being interested in 50% of the legal and beneficial interest of Yee Hop Engineering. The various changes in capital structure of Yee Hop Engineering were made in light of the funding needs of Yee Hop Engineering and to satisfy the minimum capital requirement for the registration as a specialist contractor with the Development Bureau.

On 26 March 2015, YH Engineering BVI (as subscriber) entered into a subscription agreement relating to 1,465,200,000 ordinary shares in Yee Hop Engineering with Yee Hop Engineering, pursuant to which Yee Hop Engineering allotted and issued 1,465,200,000 new shares, which represented 99% of the enlarged issued share capital of Yee Hop Engineering, to YH Engineering BVI at a nominal consideration of HK\$1.00. Upon completion of the subscription, the number of issued shares of Yee Hop Engineering increased to 1,480,000,000 shares, which were held as to 7,400,000 shares, 7,400,000 shares and 1,465,200,000 shares by Mr. Jim, Mr. Chui and YH Engineering BVI respectively.

On 13 August 2015, Mr. Jim and Mr. Chui (as vendors) entered into a sale and purchase agreement relating to the sale and purchase of 14,800,000 ordinary shares in Yee Hop Engineering with YH Engineering BVI (as purchaser), pursuant to which each of Mr. Jim and Mr. Chui agreed to transfer 7,400,000 shares of Yee Hop Engineering to YH Engineering BVI at an aggregate nominal consideration of HK\$2.00 and such transfer was legally completed on the same date. As a result, Yee Hop Engineering became a wholly owned subsidiary of YH Engineering BVI.

As at the Latest Practicable Date, Yee Hop Engineering was engaged in foundation and other civil works and tunneling works.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### Yee Hop Construction

On 11 March 1998, Yee Hop Construction (formerly known as Y.H. Construction Company Limited (怡協建築有限公司)) was incorporated in Hong Kong as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each, of which two shares were issued to two independent initial subscribers.

On 13 May 1998, an additional 799 shares and 199 shares were allotted and issued to each of Mr. Jim and an Independent Third Party respectively at par and such allotment and issue was legally completed on the same date. On 13 May 1998, each of the initial subscribers transferred one share of Yee Hop Construction to each of Mr. Jim and an Independent Third Party at par and such transfer was legally completed on 14 May 1998. Upon completion of the allotment and transfer, Yee Hop Construction was owned as to 80% by Mr. Jim and 20% by an Independent Third Party.

On 26 August 1999, each of Mr. Jim and the said Independent Third Party transferred 200 shares of Yee Hop Construction to another Independent Third Party at par and such transfer was legally completed on 28 August 1999. Upon completion of the transfer, Yee Hop Construction was owned as to 60% by Mr. Jim and 40% by an Independent Third Party.

On 15 April 2009, the independent 40% shareholder of Yee Hop Construction transferred 400 shares to Mr. Chui at par and such transfer was legally completed on the same date. Upon completion of the transfer, Yee Hop Construction was owned as to 60% by Mr. Jim and 40% by Mr. Chui.

On 26 March 2015, Mr. Jim and Mr. Chui (as vendors) entered into a sale and purchase agreement relating to the sale and purchase of 1,000 ordinary shares in Yee Hop Construction with YH Construction BVI (as purchaser), pursuant to which Mr. Jim and Mr. Chui agreed to transfer respectively 600 shares and 400 shares of Yee Hop Construction to YH Construction BVI at an aggregate nominal consideration of HK\$2.00 and such transfer was legally completed on the same date. As a result, Yee Hop Construction became a wholly owned subsidiary of YH Construction BVI.

As at the Latest Practicable Date, Yee Hop Construction was engaged in foundation and other civil works; and tunneling works.

### Y.H. Foundations

On 31 July 2012, Y. H. Foundations (formerly known as Y.H. Foundations Limited (一帆地基有限公司)) was incorporated in Hong Kong as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each, of which 325 shares, 325 shares, 116 shares, 117 shares and 117 shares were allotted and issued to Mr. Jim, Mr. Chui, Mr. Pang, Mr. Wong Kam Hung and Mr. Ho Wai Keung (“**Mr. Ho**”) respectively at par. Save and except Mr. Pang’s employment in Y.H. Foundations, each of Mr. Pang, Mr. Wong Kam Hung and Mr. Ho were Independent Third Parties.

On 26 April 2013, Mr. Ho transferred 117 shares of Y.H. Foundations to Mr. Jim at par as Y.H. Foundations was not in substantial operation at that time and such transfer was legally completed on the same date.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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On 14 November 2014, to streamline the shareholding structure of the Group and in light of his other business pursuits, Mr. Wong Kam Hung transferred 117 shares of Y.H. Foundations to Mr. Chui at a cash consideration of HK\$700,000, which was determined with reference to the then financial position and profitability of Y.H. Foundations and such transfer was legally completed on 18 November 2014.

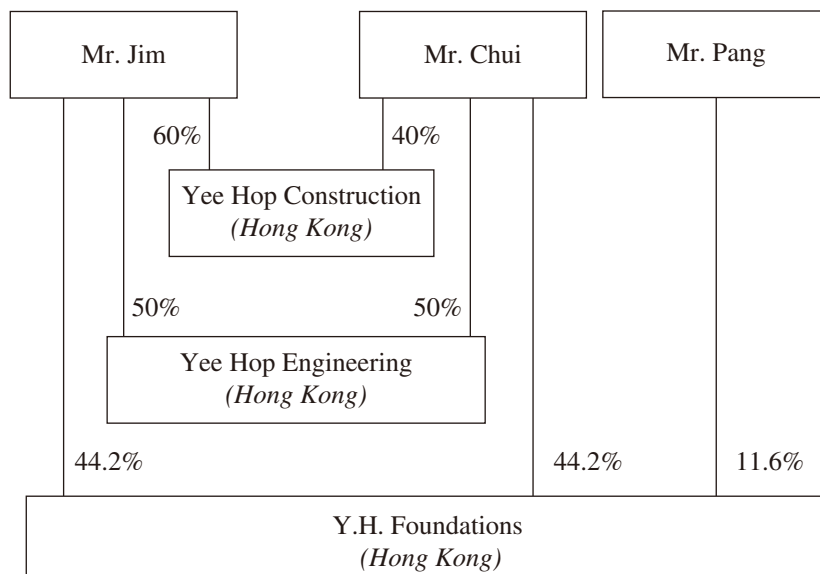
On 26 March 2015, as part of the Reorganisation, Mr. Jim and Mr. Chui (as vendors) entered into a sale and purchase agreement relating to the sale and purchase of 884 ordinary shares in Y.H. Foundations with YH Foundations BVI (as purchaser), pursuant to which each of Mr. Jim and Mr. Chui agreed to transfer 442 shares of Y.H. Foundations to YH Foundations BVI at an aggregate nominal consideration of HK\$2.00 and such transfer was legally completed on the same date. As a result, Y.H. Foundations was owned as to 88.4% by YH Foundations BVI and 11.6% by Mr. Pang.

On 31 May 2015, as part of the Reorganisation, Mr. Pang (as vendor) entered into a sale and purchase agreement relating to the sale and purchase of 116 ordinary shares in Y.H. Foundations with YH Foundations BVI (as purchaser), pursuant to which Mr. Pang agreed to transfer 116 shares of Y.H. Foundations to YH Foundations BVI at a total par value of HK\$116, which was determined after taking into account of the HK\$835,200 dividend paid to Mr. Pang on 11 May 2015. Such transfer was legally completed on 1 June 2015 and as a result, Y.H. Foundations became a wholly owned subsidiary of YH Foundations BVI.

As at the Latest Practicable Date, Y.H. Foundations was engaged in foundation works.

### REORGANISATION

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



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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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In preparation for the Listing, our Company was incorporated in the Cayman Islands and the companies comprising our Group have undergone a group reorganisation to rationalise our Group structure. The Reorganisation involved the following steps: -

- (1) On 2 February 2015, JJ1318 was incorporated in BVI with limited liability. JJ1318 was authorised to issue a maximum of 50,000 shares of US\$1.00 each, of which 100 shares were allotted and issued fully paid to Mr. Jim at par. JJ1318 was set up as a vehicle of Mr. Jim to hold his interest in our Company.
- (2) On 2 February 2015, MM1318 was incorporated in BVI with limited liability. MM1318 was authorised to issue a maximum of 50,000 shares of US\$1.00 each, of which 100 shares were allotted and issued fully paid to Mr. Chui at par. MM1318 was set up as a vehicle of Mr. Chui to hold his interest in our Company.
- (3) On 5 February 2015, YH Assets was incorporated in BVI with limited liability. YH Assets was authorised to issue a maximum of 50,000 shares of US\$1.00 each, of which 510 shares and 490 shares were allotted and issued fully paid to JJ1318 and MM1318 at par respectively. YH Assets was set up to be a corporate shareholder of our Company.
- (4) On 12 February 2015, YH Investments was incorporated in BVI with limited liability. For details of YH Investments, please refer to the paragraph headed “Corporate History — YH Investments” of this section.
- (5) On 12 February 2015, our Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each, of which one Share was allotted and issued fully paid to an initial subscriber at par. On 12 February 2015, such subscriber’s Share was transferred to YH Assets for cash at par and the share transfer was legally completed on the same date.
- (6) On 16 February 2015, YH Construction BVI and YH Engineering BVI were incorporated in BVI with limited liability by YH Investments. On 19 February 2015, YH Foundations BVI was incorporated in BVI with limited liability by YH Investments. For details of the relevant corporate information, please refer to the paragraphs headed “Corporate History — YH Construction BVI”, “Corporate History — YH Engineering BVI” and “Corporate History — YH Foundations BVI” of this section.
- (7) On 26 March 2015, YH Engineering BVI (as subscriber) entered into a subscription agreement relating to 1,465,200,000 ordinary shares in Yee Hop Engineering with Yee Hop Engineering, pursuant to which Yee Hop Engineering allotted and issued 1,465,200,000 new shares, which represented 99% of the enlarged issued share capital of Yee Hop Engineering, to YH Engineering BVI at the consideration of HK\$1.00. Upon completion of the subscription, the number of issued shares of Yee Hop Engineering increased to 1,480,000,000 shares, which were held as to 7,400,000 shares, 7,400,000 shares and 1,465,200,000 shares by Mr. Jim, Mr. Chui and YH Engineering BVI respectively.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

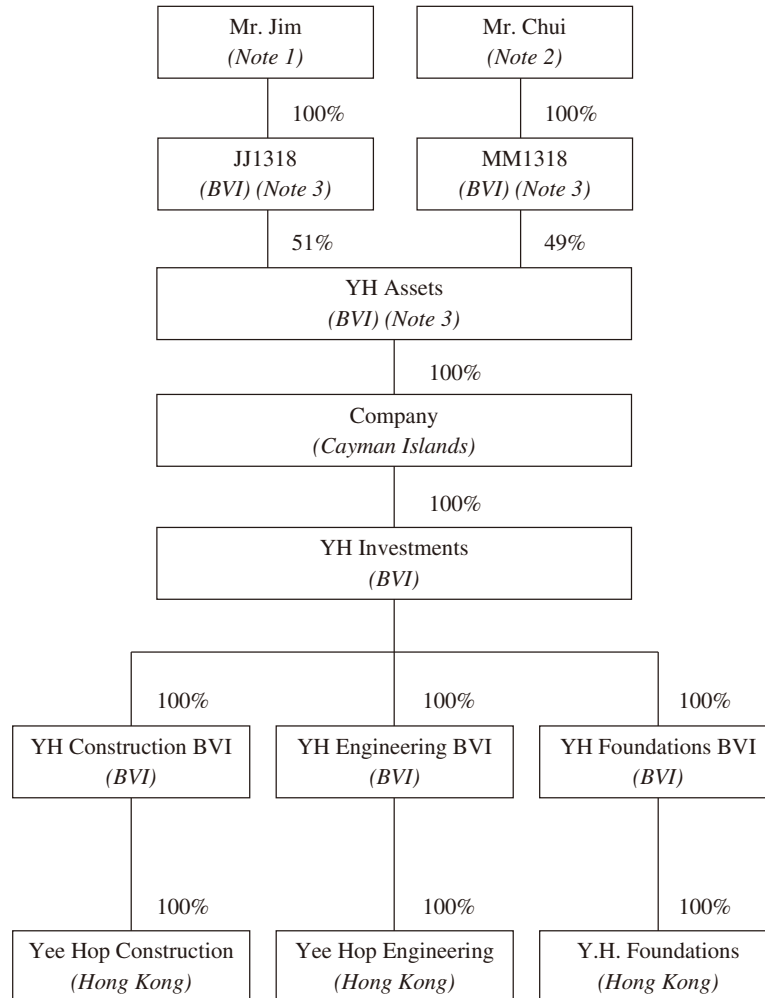
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- (8) On 26 March 2015, Mr. Jim and Mr. Chui (as vendors) entered into a sale and purchase agreement relating to the sale and purchase of 1,000 ordinary shares in Yee Hop Construction with YH Construction BVI (as purchaser), pursuant to which Mr. Jim and Mr. Chui agreed to transfer respectively 600 shares and 400 shares of Yee Hop Construction to YH Construction BVI at an aggregate nominal consideration of HK\$2.00 and such transfer was legally completed on the same date. As a result, Yee Hop Construction became a wholly owned subsidiary of YH Construction BVI.
- (9) On 26 March 2015, Mr. Jim and Mr. Chui (as vendors) entered into a sale and purchase agreement relating to the sale and purchase of 884 ordinary shares in Y.H. Foundations with YH Foundations BVI (as purchaser), pursuant to which each of Mr. Jim and Mr. Chui agreed to transfer 442 shares of Y.H. Foundations to YH Foundations BVI at an aggregate nominal consideration of HK\$2.00 and such transfer was legally completed on the same date. As a result, Y.H. Foundations was owned as to 88.4% by YH Foundations BVI and 11.6% by Mr. Pang.
- (10) On 31 May 2015, Mr. Pang (as vendor) entered into a sale and purchase agreement relating to the sale and purchase of 116 ordinary shares in Y.H. Foundations with YH Foundations BVI (as purchaser), pursuant to which Mr. Pang agreed to transfer 116 shares of Y.H. Foundations to YH Foundations BVI at a total par value of HK\$116 and such transfer was legally completed on 1 June 2015. As a result, Y.H. Foundations became a wholly owned subsidiary of YH Foundations BVI.
- (11) On 13 August 2015, Mr. Jim and Mr. Chui (as vendors) entered into a sale and purchase agreement relating to the sale and purchase of 14,800,000 ordinary shares in Yee Hop Engineering with YH Engineering BVI (as purchaser), pursuant to which each of Mr. Jim and Mr. Chui agreed to transfer 7,400,000 shares of Yee Hop Engineering to YH Engineering BVI at an aggregate nominal consideration of HK\$2.00 and such transfer was legally completed on the same date. As a result, Yee Hop Engineering became a wholly owned subsidiary of YH Engineering BVI.
- (12) On 14 August 2015, our Company and YH Assets entered into the sale and purchase agreement relating to the entire issued share capital of YH Investments, pursuant to which YH Assets transferred 1,000 shares of YH Investments, which represented the entire issued share capital of YH Investments, to our Company in consideration of our Company allotting and issuing 99 Shares, all credited as fully paid up, to YH Assets. The said transfer and allotment of shares were legally completed on the same date. As a result, YH Investments became a wholly owned subsidiary of our Company.

As at the Latest Practicable Date, the Reorganisation had been properly and legally completed in compliance with all relevant laws and regulations.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart sets out the shareholding structure of our Group immediately after the Reorganisation but prior to completion of the Share Offer and the Capitalisation Issue:



*Notes:*

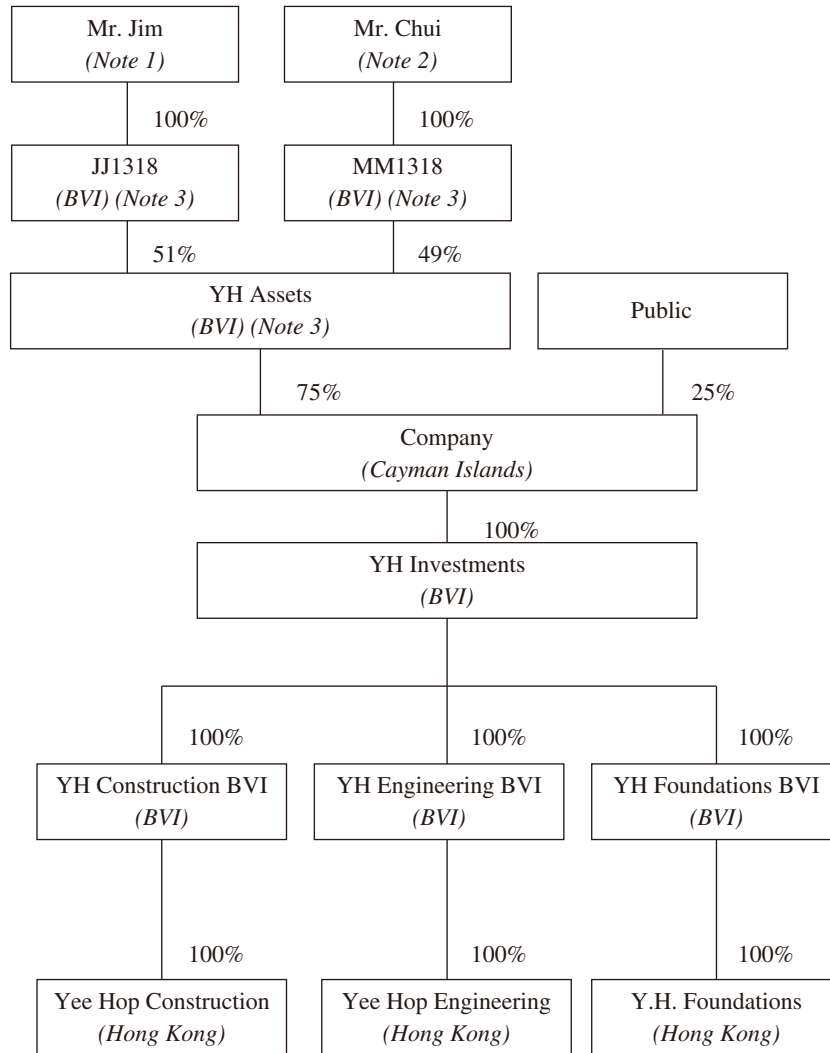
1. Mr. Jim is the Chairman, executive Director and a Controlling Shareholder of the Company.
2. Mr. Chui is an executive Director and a Controlling Shareholder of the Company.
3. JJ1318 and MM1318 are Controlling Shareholders of the Company.

Conditional on the share premium account of the Company being credited with the proceeds of the Share Offer, an appropriate sum will be capitalised and applied in paying up in full such number of Shares in the Company to be allotted and issued to Mr. Jim and Mr. Chui so that the number of Shares so allotted and issued, when aggregated with the number of Shares in the Company already owned by them, will constitute not more than 75% of the total issued share capital of the Company.



## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart sets forth the shareholding structure of our Group immediately following the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be issued pursuant to the exercise of the Adjustment Options or any options which may be granted under the Share Option Scheme):



*Notes:*

1. Mr. Jim is the Chairman, executive Director and a Controlling Shareholder of the Company.
2. Mr. Chui is an executive Director and a Controlling Shareholder of the Company.
3. JJ1318 and MM1318 are Controlling Shareholders of the Company.

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## BUSINESS

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### OVERVIEW

We are an established contractor in Hong Kong and are principally engaged in the provision of (i) foundation works, including the construction of mini-piles, rock-socketed steel H-piles and driven steel H piles, and other civil works, including site formation works, and road and pavement works; and (ii) tunneling works, including pipe jacking, hand dig tunnel and cut-and-cover tunnel works. We have our own team of technical staff and direct labour to perform on-site works, together with a broad range of owned machineries and equipment, and thus we believe our Group is capable of handling technically complicated and/or sizable foundation and other civil works; and tunneling works, allowing us to capture more opportunities in the construction market.

Our Group has been providing foundation and other civil works through our principal operating subsidiary, namely Yee Hop Engineering in Hong Kong, for over 25 years. Yee Hop Engineering, our principal operating subsidiary, is currently a Registered General Building Contractor and a Registered Specialist Contractor in foundation works category. Furthermore, Yee Hop Engineering is on the Approved Public Works Contractors List of Development Bureau under four categories, namely (i) Port Works (Group B), (ii) Waterworks (Group BP), (iii) Site Formation (Group BP), and (iv) Roads and Drainage (Group CP) and on the Approved Specialist List under the categories of Land Piling (Group II) covering Mini-piles, Rock-socketed Steel H-pile in Pre-bored hole and Steel H pile. As such, we are eligible to tender for the contracts as the main contractor in various categories of construction works offered by the Government. Our two other subsidiaries, namely, Yee Hop Construction and Y.H. Foundations also carry out subcontract works for the main contractors which hold all the required registrations for the relevant construction projects whereby these subsidiaries of our Group are not required to hold the same registrations.

We have participated in a number of projects including residential developments, commercial developments and infrastructure projects. With extensive experience in foundation works, we purchased our first pipe jacking machine and tapped into tunneling works with the support of our machinery in 2002. According to the Ipsos Report, in 2014, the gross value of tunneling works for electricity cabling tendered out by the two electricity supply companies in Hong Kong, was estimated to be approximately HK\$2,162.8 million. Our revenue derived from performing tunneling works for electricity cabling accounted for approximately 12.6% of the gross value of tunneling works for electricity cabling tendered out by the two electricity supply companies in 2014.

We invest in machineries and equipment to facilitate our construction works. As at 31 July 2015, the aggregate net carrying value of our machinery and equipment totalled up to approximately HK\$69.1 million. During the Track Record Period, our costs in acquiring machineries and equipment were approximately HK\$44.5 million, HK\$45.8 million, HK\$17.0 million and HK\$6.2 million respectively.

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## BUSINESS

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Having taken into account the major infrastructure development plan pronounced by the Government which include (i) “Ten Major Infrastructure Projects”, (ii) North East New Territories Development Plan and (iii) the Government’s objective to build 480,000 public and private residential units in the upcoming 10 years as pronounced in the 2015 Policy Address, our Directors believe that the number of construction projects in Hong Kong will be increasing in the future, providing our business with an opportunity for growth of in the near future, given that we can successfully secure the relevant contracts of such projects. During the Track Record Period, we undertook two projects in relation to the “Ten Major Infrastructure Projects”, including the Project 46 and the Project 47 and the details of which are set out in the paragraph headed “Business — Projects handled during the Track Record Period” in this prospectus.

### **Principal business activities**

During the Track Record Period, we undertook (i) foundation and other civil works; and (ii) tunneling works in Hong Kong. We set forth below an overview of the business activities for each of our two business segments:

#### *(i) Foundation and other civil works*

The foundation works undertaken by us mainly include the construction of mini-piles, rock-socketed steel H-piles and driven steel H piles. We undertake foundation works in mainly infrastructure related projects in the public sector and building related projects in the private sector, as either the main contractor or a subcontractor.

Other civil works undertaken by our Group mainly include site formation works and roads and pavement works. We undertake these other civil works projects as either the main contractor or a subcontractor.

During the Track Record Period, the revenue generated from foundation works and other civil works accounted for approximately 67.2%, 56.7%, 51.7% and 68.4% of our total revenue in the respective periods.

#### *(ii) Tunneling works*

The tunneling works undertaken by us mainly include pipe jacking, hand dig tunnel and cut-and-cover tunnel works. During the Track Record Period, we undertook projects related to the provision of tunneling works mainly as the main contractor for public utility companies, in particular, the electricity supply companies, and/or as a subcontractor.

During the Track Record Period, the revenue generated from tunneling works accounted for approximately 32.8%, 43.3%, 48.3% and 31.6% of our total revenue in the respective periods.

## BUSINESS

The number of projects handled by our Group and the respective revenue attributable to the two segments of our business activities during the Track Record Period are as follows:

	31 March 2013			For the year ended 31 March 2014			31 March 2015			For the four months ended 31 July 2015		
	No. of projects handled (Note)	Amount (HK\$ million)	Percentage (%)	No. of projects handled (Note)	Amount (HK\$ million)	Percentage (%)	No. of projects handled (Note)	Amount (HK\$ million)	Percentage (%)	No. of projects handled	Amount (HK\$ million)	Percentage (%)
	Foundation and other civil works	24	215.8	67.2	21	229.1	56.7	15	298.7	51.7	10	171.8
Tunneling works	15	105.2	32.8	11	175.3	43.3	10	278.6	48.3	7	79.3	31.6
<b>Total</b>	<b>39</b>	<b>321.0</b>	<b>100</b>	<b>32</b>	<b>404.4</b>	<b>100</b>	<b>25</b>	<b>577.3</b>	<b>100</b>	<b>17</b>	<b>251.1</b>	<b>100</b>

*Note:* The number of projects handled as shown in the above table is counted based on the revenue recognised in a particular financial year during the Track Record Period.

During the Track Record Period, we derived all of our revenue from construction projects in Hong Kong, which amounted to approximately HK\$321.0 million, HK\$404.4 million, HK\$577.3 million and HK\$251.1 million respectively.

During the Track Record Period, our Group had not strategically concentrated on a particular business segment, or purport to allocate resources or deploy employees to each business segment strictly in any certain proportion. Our Directors believe that the allocation of resources should be market-driven. Thus our Group has no plan to do so in the near future. As shown in the table above, the number of projects undertaken by us for the two segments fluctuated during the Track Record Period.

During the Track Record Period, the construction projects undertaken by us originated from both public sector projects (including the projects where the ultimate employer(s) are Government departments, public utility companies and statutory bodies) and private sector projects (including the projects where the ultimate employer(s) are property developer(s), builder(s) and contractor(s)). During the Track Record Period, the revenue generated from public sector projects accounted for approximately 66.8%, 49.0%, 50.0% and 41.6% of our total revenue of the corresponding periods, and the remaining approximately 33.2%, 51.0%, 50.0% and 58.4% of our total revenue of the corresponding periods was generated from private sector projects undertaken by us. During the Track Record Period, our five largest customers accounted for approximately 86.4%, 85.5%, 96.8% and 96.1% of our revenue respectively, and our largest customer for each of the corresponding financial years accounted for approximately 52.8%, 52.0%, 52.0% and 55.3% of our revenue respectively. Our largest customer had engaged our Group for the provision of both foundation and other civil works; and tunneling works during the Track Record Period.

During the Track Record Period, the total revenue generated by construction projects undertaken by us as a subcontractor accounted for approximately 67.7%, 58.3%, 53.9% and 55.4% in the respective financial years whereas the remaining approximately 32.3%, 41.7%, 46.1% and 44.6% of our revenue was generated from the projects undertaken by us as the main contractor in the construction projects during the corresponding period.

## **COMPETITIVE STRENGTHS**

Our Directors believe our Group possesses the following competitive strengths:

**1. We have the capability, qualification and expertise to undertake both foundation and other civil works; and tunneling works in Hong Kong**

We have the capability, qualification, expertise and a wide range of machineries and equipment to provide both foundation and other civil works; and tunneling works. We are therefore able to diversify the composition of our customer base and the types of construction projects we undertake. In addition, tunneling works involve not only an one-off installation, but also regular replacement of underground utilities, which has a relatively stable demand in Hong Kong. Hence, our Directors believe that even during downturns in the construction industry in Hong Kong that the demand for foundation construction service decreases, we can focus more on tunneling works or vice versa when the construction industry booms. Our Directors believe that our Group's profitability is attributable to the diversification of our services, which has also helped alleviate the negative effects caused by the downturn in the construction industry. As such, this has allowed us to maintain a stable development in our Group's business.

**2. We own a wide range of machineries and equipment to carry out foundation and other civil works; and tunneling works**

Our Directors believe that both the foundation and other civil works; and tunneling works are capital intensive, where specialised machineries and equipment are relied on to a larger extent when we carry out the construction works. Thus, our Group has invested in a wide range of machineries and equipment, and some of which are imported from Japan. Our fleet of machineries and equipment mainly include crawler cranes, backhoes, piling rigs, hydraulic break generators, pipe jacking machines, excavators, down-the-hole hammers and air compressors of a large variety of sizes and capabilities. As at 31 July 2015, our machineries and equipment had an aggregate net carrying value of approximately HK\$69.1 million. Our Group monitors our machineries and equipment portfolio and purchase new machineries and equipment whenever necessary. For the years ended 31 March 2013, 2014, 2015 and the four months ended 31 July 2015, we purchased new machineries, including pipe jacking machines, hydraulic crawler cranes and pile drivers, in the amount of approximately HK\$44.5 million, HK\$45.8 million, HK\$17.0 million and HK\$6.2 million, respectively. Please refer to the paragraph headed "Business — Machinery" in this prospectus for further details of our machineries and equipment.

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## BUSINESS

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In respect of the business with respect to tunneling works, as at the Latest Practicable Date, we possessed a range of readily deployable machineries and equipment. Therefore, our Directors believe that we have a competitive edge over our competitors on bidding and handling technically complicated and/or sizeable tunneling works. Furthermore, the possession of our own machineries and equipment minimises the cost and reliance on renting machinery and equipment from external parties, which would improve our project execution efficiency and profitability.

In addition, as at the Latest Practicable Date, we had a team of 48 experienced in-house technical personnel who (i) inspects our machineries and equipment regularly and arrange for necessary repairing works; and (ii) is able to respond to and handle any breakdowns of machineries and equipment timely. We believe that the maintenance of our machineries and equipment in good condition is vital to the smooth and timely completion of our projects, and upholding our competitive position in the construction industry in Hong Kong.

### **3. We have an established operating history and proven track record**

Our Group has over 25 years of experience in the construction industry in Hong Kong. Our history can be traced back to the year 1989 when Mr. Jim and Mr. Chui established our Group together on developing the site formation and road works business. Subsequently, our Group expanded its business to foundation works. In 2012, we purchased our first pipe jacking machine and tapped into tunneling works with the support of our machinery. We believe that our Group's long-term presence in the construction industry gives our customers confidence in our ability to complete our construction works of good quality in a timely manner.

During the Track Record Period and up to the Latest Practicable Date, we had completed 35 public and private sector projects, of which 26 are related to foundation and other civil works and nine to tunneling works. Our Directors believe that our Group has a good reputation for completing projects with good quality within the specified time frame. Our ability to satisfy our customers' requirements gives us the competitive edge in attracting more business opportunities in the future.

### **4. We have an experienced and professional management team and in-house site staff and direct labour in carrying out construction works**

All executive Directors of our Group have extensive experience and technical knowledge in the construction industry in Hong Kong. Up to the Latest Practicable Date, they have been working on average in the construction industry in Hong Kong for over 20 years. In addition, we have a dedicated team of senior management which possesses expertise and relevant professional qualifications on project management, contract management and safety management, which is crucial for us to ensure the effective and efficient completion of projects undertaken by us. Please refer to the section headed "Directors, Senior Management and Employees" of this prospectus for the biographical details of our executive Directors and senior management.

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## BUSINESS

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Attributed to the experience and technical knowledge of our executive Directors and members of our senior management team, we believe we are able to remain competitive and well-positioned in competing for, and securing contracts in the future.

Further, our senior management has accumulated thorough understanding and knowledge in the geological conditions of Hong Kong through working extensively in the construction industry in Hong Kong for over 20 years. Therefore, our senior management would be able to devise effective and efficient construction methods or make appropriate cost-saving adjustments (if allowed) to the conformed design prepared by our customers for both foundation and other civil works; and tunneling works under different underground conditions. Our Directors are confident that with the in-depth industry knowledge of our senior management, our Group will remain competitive and reputable in the industry.

As at the Latest Practicable Date, our Group had a team of technical staff, machinery operators and direct workers of 279 staff members with relevant skills to ensure we can complete quality construction works efficiently. Our Group had 30 machinery operators ranging from in-house gantry operators, pipe jacking machines operators, excavator operators, crane truck operators, crane operators to gas welding operators. According to our Directors as well as the Ipsos Report, the shortage of skilled workers in the construction industry in Hong Kong has been a common problem to contractors. Therefore, our Directors consider the possession of our own team of site staff and direct labour being our competitive advantage. We also put in efforts for training and development of our employees. Our training programmes consist of internal and external training to our employees who work in the construction sites, in order to ensure they possess the required skills-set parameter, safety knowledge and technical expertise for working in construction sites. Our internal and external training programmes usually focus on specific areas such as machinery operation and occupational safety. Our Directors believe these efforts would help increase the overall efficiency and loyalty of our employees to our Group, and also help retain and promote quality employees.

Further, our Directors believe that the above-mentioned competitive advantage would minimise our risks of labour shortages, reduce our reliance on subcontractors and maintain the quality of our works consistently by deploying our direct labour.

### **5. We have long-term and stable relationships with our customers, subcontractors and suppliers**

We have been providing foundation and other civil works as well as tunneling works to our five largest customers during the Track Record Period for a period ranging from less than one year to 16 years. Our Directors believe that our long-term relationship with some of our customers reinforces our Group as one of the preferred contractors to their projects.

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## BUSINESS

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Especially in respect of our tunneling business in Hong Kong, according to the Ipsos Report, the demand for tunneling services is dominated by the Government, public utility companies and the MTRC that are mainly mega size tunneling projects. Though our Group has not participated in any tunneling works for the MTRC that are mainly mega size tunneling projects, our Group has established and maintained long-term and stable business relationships with the two electricity supply companies in Hong Kong, with which we have been cooperating for over seven years. We have been carrying out construction works in Government projects for over 12 years. According to the Ipsos Report, our revenue derived from performing tunneling works for electricity cabling accounted for approximately 12.6% of total tunneling works for electricity cabling tendered out by the two electricity supply companies in 2014.

Furthermore, we keep a pre-approved list of suppliers and a qualified list of subcontractors. All of our subcontractors possess the relevant qualifications, and our top five subcontractors and suppliers have been our major subcontractors and suppliers for a period ranging from less than one year to 12 years. Our Directors believe that our stable relationship with some of our subcontractors and suppliers facilitates (i) a smooth delivery of materials or services with good quality to our Group; (ii) the timely completion of projects with constant quality construction services, and (iii) the availability of supplies throughout the entire project period which are crucial to our Group's day-to-day operations and future business developments.

### **6. We are committed to high safety and environmental management standards; and stringent quality controls**

Our Directors believe that the stringent quality assurance system and strong commitment to works' quality, safety, occupational health and environmental management are crucial to us in delivering quality works to our customers on a timely basis. Therefore, we have implemented a stringent management system regulating our works' quality, safety and environmental management standards, which complies with international standards. We have achieved the requirements of ISO 9001, ISO 14001, ISO 50001 and OHSAS 18001 accreditation for our quality management system, environmental management system, energy management system and occupational safety and health management system respectively. During the Track Record Period, the accident rates at the construction sites of our Group were lower than the industry average.

Our Group received numerous awards from Government departments, public utility companies and industry organizations on recognizing our Group's effort on promoting and maintaining our site safety. Please refer to the paragraph headed "Business — Recognitions and Awards" in this prospectus for further information.

Further details of our quality control measures are set out in the paragraph headed "Business — Quality assurance" in this prospectus. In light of the above, our Directors believe that we are capable in completing the construction works undertaken by us in high standards and achieve sustainable growths in our business in the construction industry.



## **BUSINESS STRATEGIES**

### **Continue to expand our scale in both foundation and other civil works; and tunneling works in Hong Kong**

Being a contractor which has the capability, qualification and expertise to provide both foundation and other civil works; and tunneling works in Hong Kong, coupled with our long history of operation and experience, and our broad range of specialised machineries, we have competed for and secured contracts for both foundation and other civil works; and tunneling works in Hong Kong. We will continue expanding the scale of our works by recruiting more professional and skilled staff, providing our existing and new staff with more on-the-job trainings, and acquiring relevant machineries and equipment principally to expand our fleet of machineries. Based upon the Ipsos Report, as the forecast revenue for the foundation and the non-MTRC tunneling sectors are expected to increase from 2015 to 2017 from approximately HK\$24.5 billion to approximately HK\$37 billion and from approximately HK\$25.6 billion to approximately HK\$27.3 billion respectively, in order to capture such increase, we currently expect that a sum of approximately HK\$79.7 million will be spent for the acquisition of new machineries and equipment in the next two years for both foundation and other civil works; and tunneling works with an aim to increase our Group's capacity. As we rely on the use of machineries and equipment to carry out the construction works, our Directors believe that possessing our own machineries is more cost effective than leasing because (i) our Group can exercise greater control over the quality of our machineries; (ii) our Group will not be affected by fluctuation in the leasing cost of machineries; (iii) our Group's reliance on the rental of available machineries and equipment from third party is reduced; (iv) having our own machineries will enhance the accuracy of our project cost estimation, thus enabling us to prepare tenders more accurately and sometimes more competitively which in-turn will increase our tender success rate; and (v) our projects can be completed in a more efficient manner with machineries being immediately available. Notwithstanding the above, our Group can lease machineries on an ad-hoc basis if necessary. For further details on the benefits of possessing a large range of machineries, please refer to the section headed "Business — Machinery" in this prospectus. Our Directors further believe that by expanding our scale, we will be able to tender for larger scale foundation and other civil works projects and tunneling works projects which require more specialised skills, expertise and a wide range of machineries and equipment. We can therefore broaden our customer base by meeting the pre-qualifications of tenders prescribed by potential customers from time to time.

For further details on the implementation of the above-mentioned business strategies, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

### **Continue to expand our operations in Hong Kong**

As at the Latest Practicable Date, we had 17 projects on hand, of which 11 are related to foundation and other civil works; and six are related to tunneling works.

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## BUSINESS

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### *Expanding our foundation and other civil works business in the Hong Kong public housing market*

In response to the population growth and increasing demand for housing in Hong Kong, the Government adopted a housing supply target of a total of 480,000 units within the next ten years in the 2015 Policy Address, with public housing accounting for 60% of such units. As mentioned in the 2015 Policy Address, the Government has maintained its public rental housing target of providing 20,000 units each year for the next decade. Further, the Government will actively explore ways to increase the supply of sale flats through a multi-pronged approach through public or non-profit-making organisations including the Housing Authority, Housing Society, Urban Renewal Authority and the Hong Kong Settlers Housing Corporation Limited. As at the Latest Practicable Date, two out of our 11 projects related to foundation and other civil works on hand are originated from the Housing Society and the Urban Renewal Authority. In light of the above, our Directors believe that these policies will boost the demand for foundation and other civil works in Hong Kong. In this connection, we aim to apply to the Housing Authority for an inclusion of our Group member(s) in the Housing Authority List of Piling Contractors under the percussive pile category to enhance our opportunities in handling more public sector projects. Once we are included on the list, we will be eligible to tender for contracts of the Housing Authority to expand our customer base.

Our Directors believe that we are able to meet the minimum requirements set out by the Housing Authority regarding, among others, (i) work experience; (ii) financial capability; (iii) the minimum number, qualifications and experiences of full-time staffs to be employed for admission/retention on the Housing Authority List of Piling Contractors; (iv) sufficient plants and machineries; and (v) possession of ISO 9001, ISO 14001, ISO 50001 and OHSAS 18001 certificates with respect to their individual categories.

### *Capture tunneling works opportunities*

Further, the two electricity supply companies have already set out 5-year development plans to extend distribution transmission to support the city's major infrastructure development, newly developed and redevelopment areas. A total of approximately HK\$76.3 billion will be spent on public infrastructure projects according to the 2015 budget speech of the Government. Furthermore, it is mentioned in the 2015 Policy Address that new development areas, namely Kwu Tung North and Fanling North, will be an important source of land supply for Hong Kong. In view of the increasing spending by the Government on infrastructure, along with the government projects with respect to new development area, our Directors believe there will be an increase in tunneling projects related to public utilities, such as electricity cabling, gas mains, watermains, drainages, etc, which will be made available in the new development areas.

**OUR BUSINESS ACTIVITIES**

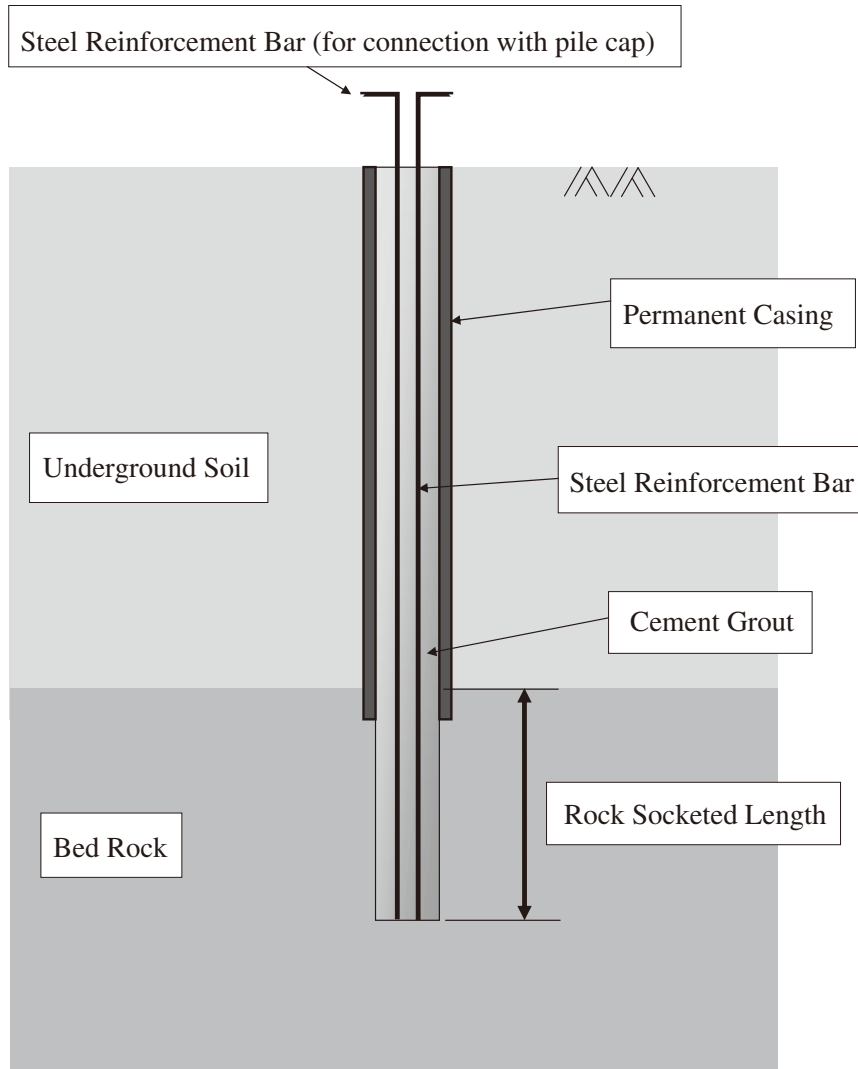
We are principally engaged in the provision of (i) foundation and other civil works; and (ii) tunneling works.

**Foundation and other civil works**

*Foundation works*

Foundation works are essential for most construction projects as the foundations of buildings or structures are designed and constructed to withstand safely all the dead, imposed and wind loads. The major types of foundation works carried out by our Group are as follows:

*Mini-pile*

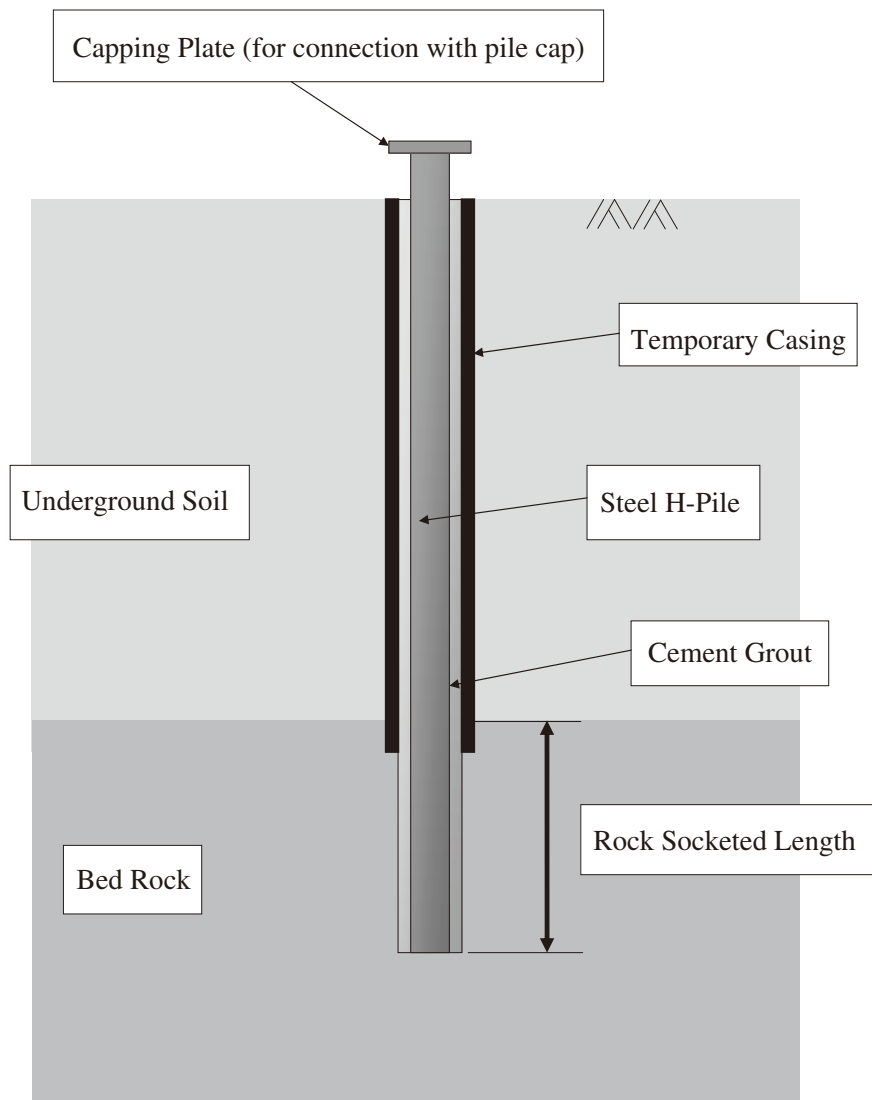


*Diagram illustrating a typical mini-pile*

Mini-pile is a kind of non-percussive replacement piling works. The construction of the pile involves lowering a permanent circular steel casing, not exceeding 400 mm in diameter, by a drilling rig until the core of the pile can be socketed into bedrock at a predetermined depth. Afterwards, one or a group of high yield steel bars are inserted into the casing, serving as the major load bearing element of the pile. The bottom of the borehole is then cleaned by airlifting before the remaining cavity of the pile is grouted.

Mini-piles are mainly used to resist compression or tension loads on sites with difficult access.

*Rock-socketed steel H-pile*

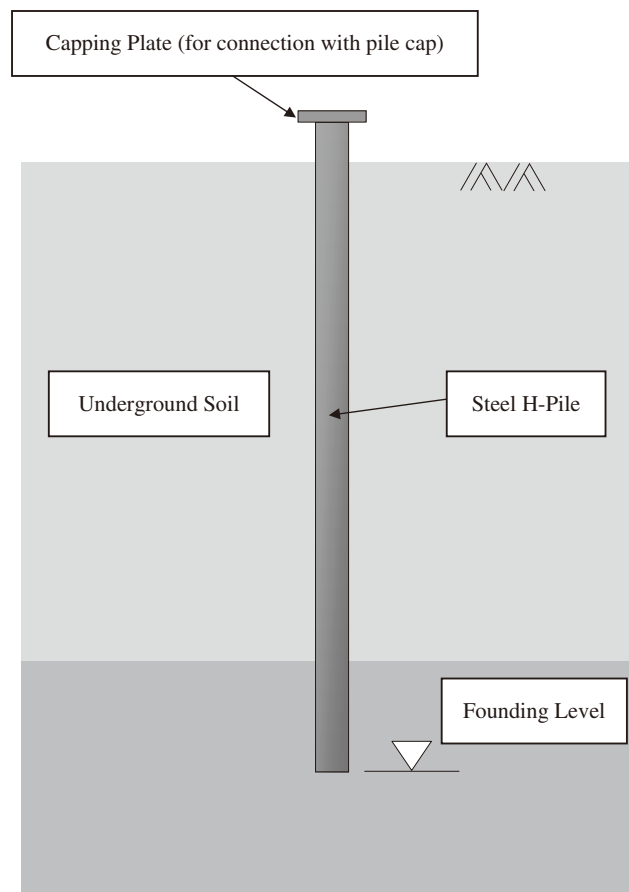


*Diagram illustrating a typical rock-socketed steel H-pile*

Rock-socketed steel H-pile is a kind of non-percussive replacement piling works. The construction of the pile involves the excavation of a circular hole by a rotary boring machine until it reaches a predetermined depth with sufficiently strong bedrock. The depth and diameter of the borehole are highly specific to the ground conditions, structural requirements and nature of the construction project, but should be adequate to accommodate the steel H-pile and to allow sufficient grout coverage (40mm minimum) to the pile at all times. Depending on the condition of the soil, e.g. water-bearing soils which are not self-supporting, a temporary casing such as a steel casing may be lowered at the same time when the borehole is made, to prevent the ground from collapsing and soil from falling into the hole. Immediately after drilling, the borehole is cleansed thoroughly with water, to flush out the debris formed during the excavation. The steel H-pile is subsequently installed into the borehole and sunk into bedrock, while cement grout is pumped into the shaft to fill the entire space without voids. The temporary casing is then extracted after the completion of grouting.

Rock-socketed steel H-piles are stronger in flexural strength than mini-piles. They can be designed to resist horizontal loads by their bending stiffness.

*Driven steel H-pile*



*Diagram illustrating a typical driven steel H-pile*

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Driven steel H-pile is a kind of percussive displacement piling works widely used in Hong Kong, due to the ease of handling and driving. A driven steel H-pile is constructed by sinking or driving the steel H-pile to the predetermined depth by direct or indirect hammering or other percussive means, including by the use of a drop hammer, diesel hammer, double acting hammer, single acting hammer, internal drop hammer, pneumatic hammer, steam hammer or other percussive device. Due to the percussive nature of this type of piling works, which creates more noise and vibration, a Construction Noise Permit from the Environmental Protection Department must be obtained before the operation can be carried out. Depending on the noise level, the Environmental Protection Department may restrict the operation to 3 hours, 5 hours or 12 hours during the restricted hours, from 7 a.m. to 7 p.m. per day.

We set out below the features of various foundation works undertaken by our Group:

Type of foundation works	Advantages	Disadvantages	Applications	Limitations	Cost features
Mini-pile	1. Non percussive pile: – Low noise – Low vibration – Less disturbance to neighbours  2. Can be used for sites with difficult access or limited headroom and for underpinning  3. Can be installed with less noise and vibration compared to displacement piles	1. Lower load bearing capacity as compared to rock-socketed steel H-pile and driven steel H-pile  2. Needs support in designated grade of rock which can be very steep and deep which in turn increases costs  3. Excavated material requires disposal, the cost of which will be higher if it is contaminated	Small structures e.g. footbridge and temporary working platform on slopes	Not suitable for large structures as its load bearing capacity is relatively low	Relatively low plant and material costs

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Type of foundation works	Advantages	Disadvantages	Applications	Limitations	Cost features
Rock-socketed steel H-pile	<ol style="list-style-type: none"> <li>1. Non percussive pile:               <ul style="list-style-type: none"> <li>– Low noise</li> <li>– Low vibration</li> <li>– Less disturbance to neighbours</li> </ul> </li> <li>2. Stronger in flexural strength than mini-piles. They can be designed to resist horizontal loads by their bending stiffness</li> <li>3. Can be installed with less noise and vibration compared to displacement piles</li> </ol>	<ol style="list-style-type: none"> <li>1. Needs support in designated grade of rock which can be very steep and deep which in turn increasing costs</li> <li>2. Higher plant costs as compared to percussive piles</li> <li>3. Risk of loosening soils during pile excavation and causing ground loss and hence settlement</li> <li>4. Excavated material requires disposal, the cost of which will be higher if it is contaminated</li> </ol>	High-rise buildings and podium structures	Not cost effective as compared to large diameter bored piles which can support heavier loads	<ol style="list-style-type: none"> <li>1. Lower plant cost as compared to bored piles but higher plant cost as compared to percussive piles</li> <li>2. Higher material cost as compared to percussive piles</li> </ol>

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Type of foundation works	Advantages	Disadvantages	Applications	Limitations	Cost features
Driven steel H-pile	1. Relatively low cost as it can rest upon stiff soil irrespective of depth and grade of bedrock  2. Lower plant costs  3. Solid disposal is not necessary	1. Percussive piles: – High noise – High vibration – More disturbance to neighbours  2. Ground displacement may cause movement of, or damage to, adjacent piles, structures, slopes or utility installations  3. The length of operation per day is restricted by the Construction Noise Permit  4. Underground obstructions cannot be coped with easily	High-rise buildings and podium	Not suitable for site next to sensitive structures or utility installations	Relatively higher material cost

### *Other civil works*

During the Track Record Period, some contracts related to the provision of foundation works also covered certain other civil works, such as site formation works and road and pavement works and our fees for provision of such civil works would not be singled out but included in the entire contract sum under the relevant contracts. During the Track Record Period, we were awarded one, one, nil and nil contract solely for the provision of other civil works and the contract sum thereunder amounted to approximately HK\$18.2 million, HK\$24.0 million, nil and nil respectively.

### *Site formation works*

Site formation works are carried out in order to prepare a suitable construction work site for the subsequent foundation and superstructure works carried out therein. Generally, site formation works carried out by our Group involve the clearance of construction sites, excavation to the design formations and/or basement levels, demolition of existing structures and reduction and stabilisation of existing slopes.



*Road and pavement works*

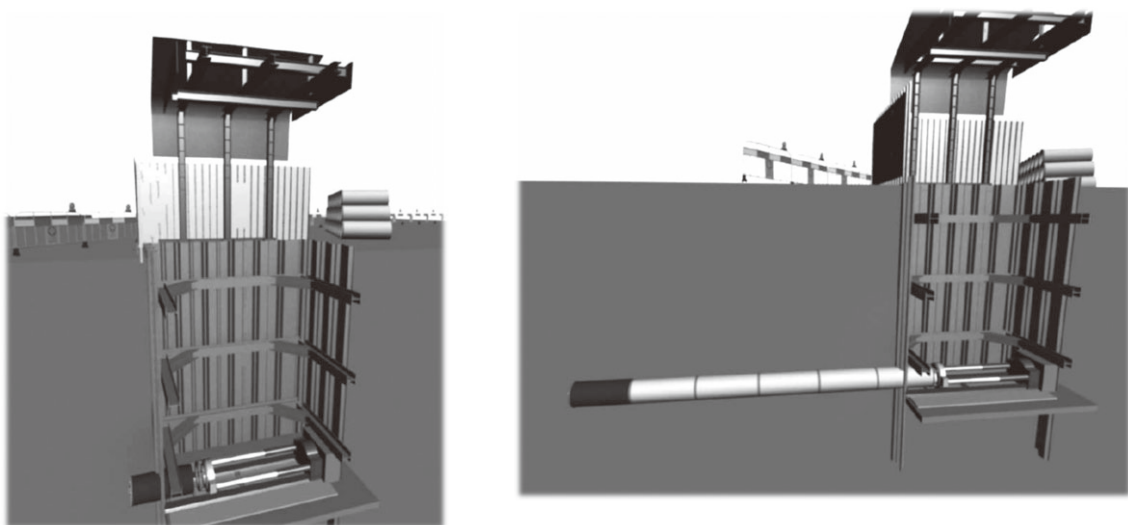
The road and pavement works carried out by our Group include the construction or modification of road and pavement, renovation of footbridges, construction of covered walkway and public transport interchange works.

**Tunneling Works**

The tunneling works carried out by our Group generally involve (i) the construction of various utilities tunnels (such as cables, water and gas) constructed by the traditional cut-and-cover method which will generally cause environmental impacts and surface disturbances; and (ii) the installation, replacement or renewal of underground utilities as constructed by pipe jacking or hand dig methods, are collectively referred to as the trenchless method, which avoids disruptions to urban environments such as existing underground utilities, nearby foundation, traffic and vegetations. In Hong Kong, the trenchless method has been more common than the traditional cut-and-cover method for tunneling works involving underground utilities such as sewers, gas pipelines and electricity cables.

The first method we adopted in carrying out tunneling works, namely the traditional cut-and-cover method, involves first excavating a trench and then roofing over with a strong temporary overhead support system. The excavation will then continue to the bottom of the tunnel. After the construction work is completed, the temporary overhead support system will be removed and the road surface will be reinstated.

The second method is the trenchless method, where the diagrams below set forth the operation of typical trenchless works:

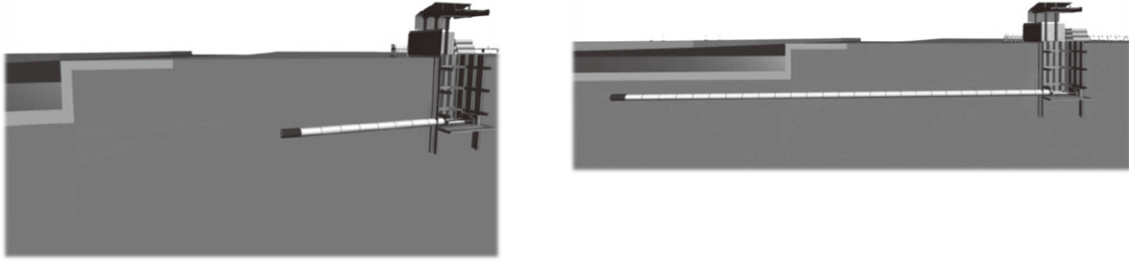


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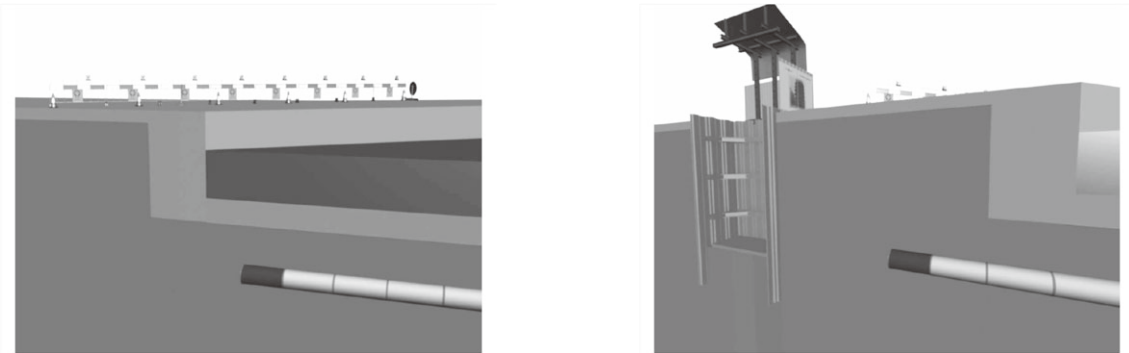
## BUSINESS

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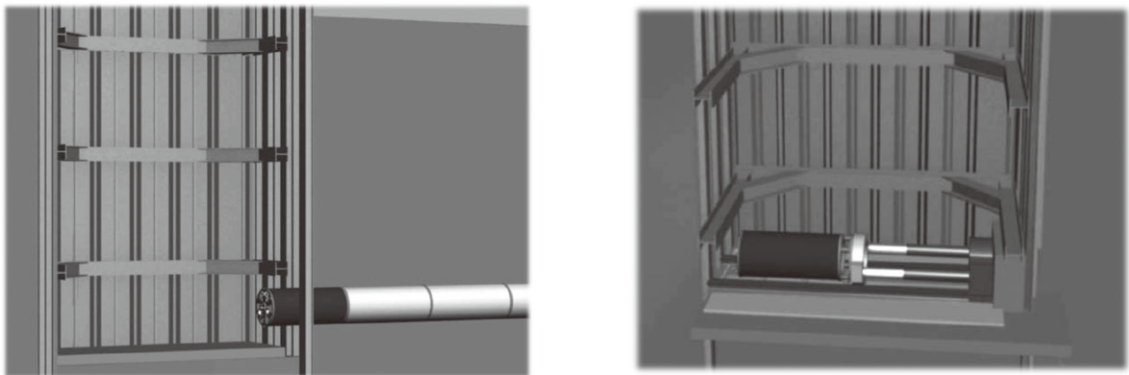
- (1) The tunneling works commence by excavating a jacking shaft at the entrance of the purposed tunnel.



- (2) A tunneling shield is then jacked into the ground, while the face of the tunnel is excavated by either a tunneling machine or manual tools. The soil is usually removed by a slurry system mechanically or mucking cart manually.



- (3) As the shield advances, tunneling pipes are inserted behind the shield one by one and the whole string of pipes and the shield is jacked forward. The tunneling works proceed with the continual installation of tunneling pipes.



- (4) The pipeline is completed when the jacking shield reaches the reception shaft.

Compared with the traditional cut-and-cover method, the trenchless method minimises potential safety hazards such as trench collapses and flooding. As less excavation and construction time is required, trenchless method generally produces less noise and air pollution. Furthermore, the trenchless method greatly reduces road diversions, thus saving the respective costs.

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## BUSINESS

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### CONSTRUCTION PROJECTS

During the Track Record Period, the number of projects obtained through tenders and direct invitations from customers was 27 and three respectively.

The following table sets forth the number of projects tendered and won by our Group for each of the financial years/period ended 31 March 2013, 2014, 2015 and the four months ended 31 July 2015 respectively by business segments:

	<b>Foundation and other civil works</b>	<b>Tunneling works</b>	<b>Total</b>
<i>For the year ended 31 March 2013:–</i>			
The number of projects tendered for	48	4 <sup>(Note)</sup>	52
The number of projects won	6	1	7
Success rate (%)	12.5	25.0	13.5
<i>For the year ended 31 March 2014:–</i>			
The number of projects tendered for	40	1 <sup>(Note)</sup>	41
The number of projects won	6	0	6
Success rate (%)	15.0	0.0	14.6
<i>For the year ended 31 March 2015:–</i>			
The number of projects tendered for	50	1 <sup>(Note)</sup>	51
The number of projects won	11	1	12
Success rate (%)	22.0	100.0	23.5
<i>For the four months ended 31 July 2015:–</i>			
The number of projects tendered for	17	0 <sup>(Note)</sup>	17
The number of projects won	2	0	2
Success rate (%)	11.8	0.0	11.8

*Note:* There was less number of projects tendered for tunneling works for the years ended 31 March 2014 and 2015 and the four months ended 31 July 2015, due to the fact that we had entered into (i) a 5-year term contract since August 2011 with a public utility company which involves in the design, execution and maintenance of tunneling works within Hong Kong; and (ii) a tunneling works subcontract with a main contractor with a contract sum of approximately HK\$542.5 million in 2013. To ensure sufficient manpower and machineries can be deployed to complete the tunneling works under these two contracts, our Directors decided to submit less tenders on other tunneling projects during the Track Record Period.

Our tenders are prepared based on our estimates and available information, taking into consideration the deployment of our then available resources including our machineries and equipment to carry out the construction works, the construction materials and labour costs, as well as the complexity and length of the relevant projects. Our Directors confirm that we usually submit tenders in order to keep our presence in the market and keep us abreast of latest market requirements and pricings, which are considered to be useful in preparing similar tenders in future. As such, we have recorded a relatively low tender success rate during the Track Record Period as set out in the table above.

## BUSINESS

### Private and public sector projects

During the Track Record Period, we undertook construction works from both public and private sectors. Public sector projects generally refer to projects where the ultimate employer(s) are Government departments, public utility companies and statutory bodies while private sector projects generally refer to projects where the ultimate employer(s) are property developer(s), builder(s) and contractor(s). The following table sets forth the revenue generated by both private and public sector projects:

	31 March 2013		For the year ended 31 March 2014		31 March 2015		For the four months ended 31 July 2015	
	Amount (HK\$ million)	Percentage (%)	Amount (HK\$ million)	Percentage (%)	Amount (HK\$ million)	Percentage (%)	Amount (HK\$ million)	Percentage (%)
Private sector projects	106.5	33.2	206.2	51.0	288.5	50.0	146.6	58.4
Public sector projects	214.5	66.8	198.2	49.0	288.8	50.0	104.5	41.6
<b>Total</b>	<b>321.0</b>	<b>100</b>	<b>404.4</b>	<b>100</b>	<b>577.3</b>	<b>100</b>	<b>251.1</b>	<b>100</b>

### Projects handled during the Track Record Period

During the Track Record Period, the total revenue generated by construction projects undertaken by us as a subcontractor accounted for approximately 67.7%, 58.3%, 53.9% and 55.4% in the respective financial years whereas the remaining approximately 32.3%, 41.7%, 46.1% and 44.6% of our revenue was generated from the projects undertaken by us as the main contractor in the projects during the corresponding period.

The following table sets forth the number of projects handled by our Group and revenue attributable to a particular segment during the Track Record Period:

	31 March 2013			For the year ended 31 March 2014			31 March 2015			For the four months ended 31 July 2015		
	No. of projects handled	Amount (HK\$ million)	Percentage (%)	No. of projects handled	Amount (HK\$ million)	Percentage (%)	No. of projects handled	Amount (HK\$ million)	Percentage (%)	No. of projects handled	Amount (HK\$ million)	Percentage (%)
Foundation and other civil works	24	215.8	67.2	21	229.1	56.7	15	298.7	51.7	10	171.8	68.4
Tunneling works	15	105.2	32.8	11	175.3	43.3	10	278.6	48.3	7	79.3	31.6
<b>Total</b>	<b>39</b>	<b>321.0</b>	<b>100</b>	<b>32</b>	<b>404.4</b>	<b>100</b>	<b>25</b>	<b>577.3</b>	<b>100</b>	<b>17</b>	<b>251.1</b>	<b>100</b>

Note:

- (1) The number of projects handled as shown in the above table is counted based on revenue recognised in a particular financial year.

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## BUSINESS

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### Projects completed during the Track Record Period and up to the Latest Practicable Date

The following tables set forth the details of projects completed by us during the Track Record Period and up to the Latest Practicable Date in chronological order, by their completion dates:

*Our Group as main contractor:*

Code	Location of project	Type/capacity of customer <sup>(1)</sup>	Business segment <sup>(2)</sup>	Commencement date <sup>(3)</sup>	Completion date <sup>(4)</sup>	Original Contract sum (approximately HK\$ million)
Project 01	Connaught Road	Property developer	Foundation and other civil works	December 2011	July 2012	2.4
Project 02	Shum Shui Po, Wong Chuk Hang and Causeway Bay	Government department	Foundation and other civil works	August 2009	September 2012	31.9
Project 03	Nam Fung Station	Public utility	Foundation and other civil works	April 2012	October 2012	7.3
Project 04	Morrison Hill Zone Substation	Public utility	Foundation and other civil works	September 2011	January 2013	4.5
Project 05	Admiralty Station	Public utility	Tunneling works	August 2011	February 2013	15.5
Project 06	Admiralty	Public utility	Foundation and other civil works	July 2012	May 2013	3.3
Project 07	Various locations within Hong Kong	Public utility	Foundation and other civil works	October 2009 <sup>(5)</sup>	May 2013	37.5 <sup>(6)</sup>
Project 08	Tsim Sha Tsui East	Government department	Foundation and other civil works	August 2009	June 2013	56.9
Project 09	Chatham Road South	Educational institution	Tunneling works	July 2010	September 2013 <sup>(7)</sup>	96.5
Project 10	Penny's Bay	Property developer	Foundation and other civil works	March 2013	October 2013	18.2
Project 11	Fei Ngo Shan Road	Property developer	Foundation and other civil works	February 2013	February 2014	34.0
Project 12	Wong Chuk Hang	Public utility	Foundation and other civil works	May 2013	May 2014	3.9
Project 13	Hollywood Road	Contractor	Foundation and other civil works	October 2012 <sup>(8)</sup>	June 2014 <sup>(9)</sup>	34.2
Project 14	Sheung Yuet Road	Property developer	Foundation and other civil works	October 2013	April 2015	172.1
Project 35	Long Ping Station	Property developer	Foundation and other civil works	June 2014	September 2015 <sup>(10)</sup>	24.0
Project 36	Sheung Yuet Road	Property developer	Foundation and other civil works	April 2015	October 2015	80.0

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*Notes:*

1. This refers to the capacity (i.e. property developer, main contractor, subcontractor, Government department, educational institution or public utility company) of the customer who has signed contract with our Group.
2. This is based on the business segment as classified in the financial statements of our Group.
3. Unless otherwise specified, this refers to the contract date, the commencement date specified in the contract or the instruction issued by the customer's representative pursuant to the contract.
4. Unless otherwise specified, this refers to the completion date as certified by the respective customer or its representative.
5. Owing to the deviation of actual commencement date from the contract, this refers to the commencement date of the construction period as stated in the insurance policy of the project.
6. There is no fixed contract sum for this contract. It is a term contract which contract sum is based on the actual work done for the customer. The final contract sum is approximately HK\$37.5 million.
7. By a mutual agreement between the customer and our Group, the contract was terminated in September 2013.
8. Owing to the deviation of actual commencement date from the contract, this refers to the revised construction program issued by the customer.
9. This refers to the completion date of the construction period as stated in the insurance policy of the project.
10. This refers to the correspondence between the customer's representative and our Group.

*Our Group as subcontractor:*

Code	Location of project	Type/capacity of customer <sup>(1)</sup>	Business segment <sup>(2)</sup>	Commencement date <sup>(3)</sup>	Completion date <sup>(4)</sup>	Original Contract sum (approximately HK\$ million)
Project 15	Fu On Street	Main contractor	Foundation and other civil works	April 2010	April 2012	5.3
Project 16	Happy Valley	Main contractor	Tunneling works	February 2012	October 2012	10.3
Project 17	Hang Tai Road	Main contractor	Tunneling works	August 2011	December 2012	4.2
Project 18	West Kowloon to Sai Ying Pun	Main contractor	Tunneling works	March 2010 <sup>(5)</sup>	December 2012	14.6
Project 19	Tong Ming Street	Main contractor	Tunneling works	May 2011	March 2013	4.6
Project 20	Centre Street	Main contractor	Foundation and other civil works	July 2013	July 2013	0.3
Project 21	Lam Tei	Main contractor	Foundation and other civil works	February 2012	August 2013	47.4
Project 22	Wah Fu	Main contractor	Foundation and other civil works	July 2013 <sup>(5)</sup>	August 2013	1.9
Project 23	Kai Tak Development Area	Main contractor	Foundation and other civil works	September 2011 <sup>(6)</sup>	August 2013	95.1
Project 24	Long Ping	Main contractor	Foundation and other civil works	July 2013	August 2013	1.6 <sup>(7)</sup>
Project 25	Tai Po Tsui	Main contractor	Foundation and other civil works	August 2013	October 2013	2.4 <sup>(8)</sup>
Project 26	Begonia Road	Main contractor	Foundation and other civil works	August 2012 <sup>(5)</sup>	November 2013	17.4

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## BUSINESS

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Code	Location of project	Type/capacity of customer <sup>(1)</sup>	Business segment <sup>(2)</sup>	Commencement date <sup>(3)</sup>	Completion date <sup>(4)</sup>	Original Contract sum (approximately HK\$ million)
Project 27	Wong Tai Sin	Main contractor	Tunneling works	February 2013 <sup>(5)</sup>	January 2014	11.0
Project 28	Shue Yan University	Main contractor	Foundation and other civil works	July 2012	March 2014	99.6
Project 29	Shue Yan University	Main contractor	Foundation and other civil works	May 2014	June 2014	1.0
Project 30	Various locations within Hong Kong	Main contractor	Tunneling works	June 2007	July 2014	160.3
Project 31	Yung Shue Wan	Main contractor	Foundation and other civil works	June 2014	August 2014	3.9
Project 32	Kai Cheung Road	Main contractor	Foundation and other civil works	November 2013	January 2015 <sup>(9)</sup>	170.4
Project 33	Hollywood Road	Subcontractor	Tunneling works	September 2013	April 2015	3.4

*Notes:*

1. This refers to the capacity (i.e. property developer, main contractor, subcontractor, Government department, educational institution or public utility company) of the customer who has signed contract with our Group.
2. This is based on the business segment as classified in the financial statements of our Group.
3. Unless otherwise specified, this refers to the contract date, the commencement date specified in the contract or the instruction issued by the customer's representative pursuant to the contract.
4. Unless otherwise specified, this refers to the last payment application for work done in a monthly interval made by our Group to the respective customer or the completion date as certified by the respective customer or its representative.
5. Owing to the deviation of actual commencement date from the contract, this refers to the commencement date as specified in the first payment application made by our Group to the respective customer.
6. Owing to the deviation of actual commencement date from the contract, this refers to the revised construction program issued by the customer.
7. There is no fixed contract sum for this contract. It is a re-measurement contract based on the actual work done for the customer. The final contract sum is approximately HK\$1.6 million.
8. There is no fixed contract sum for this contract. It is a re-measurement contract based on the actual work done for the customer. The final contract sum is approximately HK\$2.4 million.
9. This refers to the completion date as agreed by the customer in correspondences between our Group and the customer.

### **Projects in progress and project awarded but not commenced as at the Latest Practicable Date**

As at the Latest Practicable Date, the awarded contract sum for our contracts in progress and contract awarded but not commenced as at the Latest Practicable Date amounted to approximately HK\$1,341.6 million (including the aggregate contract sum of HK\$259.5 million of Project 43 which was comprised of 41 purchase orders issued by the customer as at the Latest Practicable Date), of which an aggregate amount of approximately HK\$510.7 million (including the aggregate outstanding contract sum of approximately HK\$86.9 million of Project 43) had yet to be recognised as at the Latest Practicable Date.

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**BUSINESS**

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The tables below summarise our projects in progress as the main contractor or a subcontractor in the relevant project as at the Latest Practicable Date:

*Our Group as main contractor:*

Code	Location of project	Type/capacity of customer <sup>(1)</sup>	Business segment <sup>(2)</sup>	Commencement date <sup>(3)</sup>	Expected completion date <sup>(4)</sup>	Original contract sum (approximately HK\$ million)	Percentage of works certified as at the Latest Practicable Date	Amount of contract sum yet to be recognised as at the Latest Practicable Date
							(%)	(approximately HK\$ million) (Note 5)
Project 34	Sai Ying Pun	Public utility	Tunneling works	June 2013	December 2015 <sup>(6)</sup>	33.6	78	7.3
Project 37	Lamma Island	Public utility	Foundation and other civil works	March 2015	December 2015	18.8	65	6.5
Project 38	Various locations within Hong Kong Island	Public utility	Foundation and other civil works	December 2014	December 2015 <sup>(6)</sup>	3.2	71	0.9
Project 39	Sha Tau Kok	Government department	Foundation and other civil works	December 2014	December 2015	38.4	83	6.7
Project 40	Third Street	Public utility	Tunneling works	December 2011	May 2016 <sup>(6)</sup>	48.7 <sup>(7)</sup>	67 <sup>(7)</sup>	16.2 <sup>(7)</sup>
Project 41	Kwun Tong	Property developer	Foundation and other civil works	March 2015	April 2016 <sup>(8)</sup>	54.4	42	31.4
Project 42	Deep Water Bay	Public utility	Tunneling Works	May 2015	June 2016	21.7	6	20.5
Project 43	Various locations within Hong Kong	Public utility	Tunneling works	August 2011	August 2016	Not applicable <sup>(9)</sup>	Not applicable <sup>(9)</sup>	Not applicable <sup>(9)</sup>
Project 47	Hong Kong – Zhuhai – Macao Bridge Substation	Public utility	Foundation and other civil works	August 2015	February 2016	29.6	22	23.0
Project 48	San Po Kong	Property developer	Foundation and other civil works	July 2015	September 2016	77.8	8	71.5



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Code	Location of project	Type/capacity of customer <sup>(1)</sup>	Business segment <sup>(2)</sup>	Commence-ment date <sup>(3)</sup>	Expected completion date <sup>(4)</sup>	Original contract sum <i>(approximately HK\$ million)</i>	Percentage of works certified as at the Latest Practicable Date	Amount of contract sum yet to be recognised as at the Latest Practicable Date
							<i>(%)</i>	<i>(approximately HK\$ million)</i> <i>(Note 5)</i>
Project 50	Lamma Island	Public utility	Foundation and other civil works	October 2015	October 2016	7.0	- <sup>(10)</sup>	7.0
Project 52	North Point	Public utility	Foundation and other civil works	December 2015	May 2016	1.3	- <sup>(10)</sup>	1.3

*Notes:*

1. This refers to the capacity (i.e. property developer, main contractor, subcontractor, Government department, educational institution or public utility company) of the customer who has signed contract with our Group.
2. This is based on the business segment as classified in the financial statements of our Group.
3. Unless otherwise specified, this refers to the contract date, the commencement date specified in the contract or the instruction issued by the customer's representative pursuant to the contract.
4. Unless otherwise specified, this refers to the expected completion date specified in the contract.
5. Original contract sum and amount of contract sum yet to be recognised as at Latest Practicable Date exclude any variation orders or adjustments in contract sum after the award of contract.
6. This refers to the completion date of the construction period as stated in the insurance policy of the project.
7. There is an extension of works due to a variation order. The estimate of the variation order was submitted to the customer's representative which the estimated final contract sum would be approximately HK\$48.7 million. The original contract sum is approximately HK\$30.0 million which has been fully recognised as at the Latest Practical Date.
8. This refers to the expected completion date as stated in an instruction issued by the customer's representative.
9. There is no fixed contract sum for this contract. As at the Latest Practicable Date, there were 41 purchase orders with an aggregate contract sum of approximately HK\$259.5 million issued by the customer and the amount of payment received under this contract was approximately HK\$172.6 million with an aggregate outstanding contract sum of approximately HK\$86.9 million. The customer issued one purchase order with a contract sum of approximately HK\$25.1 million to us subsequent to the Track Record Period. Please refer to the paragraph headed "Term contract with a customer for provision of tunneling works" in this section for further details of this contract.
10. Works for these projects have commenced but yet to be certified or works have not been commenced as at the Latest Practicable Date.
11. Save for Project 52, which is a project awarded but not yet commenced as at the Latest Practicable Date, all above-mentioned projects are in progress as at the Latest Practicable Date.

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## BUSINESS

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*Our Group as a subcontractor:*

Code	Location of project	Type/capacity of customer <sup>(1)</sup>	Business segment <sup>(2)</sup>	Commence-ment date <sup>(3)</sup>	Expected completion date <sup>(4)</sup>	Original contract sum <i>(approximately HK\$ million)</i>	Percentage of works certified as at the Latest Practicable Date	Amount of contract sum yet to be recognised as at the Latest Practicable Date
								<i>(approximately HK\$ million)</i> <i>(Note 5)</i>
Project 44	Castle Peak Road	Main contractor	Tunneling works	October 2014	December 2015	11.4	44	6.4
Project 45	Nam Fung Path	Main contractor	Foundation and other civil works	December 2014	December 2015	173.0	76	42.2
Project 46	Kai Tak	Main contractor	Tunneling works	October 2013	October 2016	542.5	71	159.7
Project 49	Kwai Chung	Main Contractor	Foundation and other civil works	August 2015	December 2016	32.6 <sup>(6)</sup>	- <sup>(7)</sup>	32.6
Project 51	Sheung Yuet Road	Main contractor	Foundation and other civil works	October 2015 <sup>(8)</sup>	March 2016 <sup>(9)</sup>	6.8	- <sup>(7)</sup>	6.8

*Notes:*

1. This refers to the capacity (i.e. property developer, main contractor, subcontractor, Government department, educational institution or public utility company) of the customer who has signed contract with our Group.
2. This is based on the business segment as classified in the financial statements of our Group.
3. Unless otherwise specified, this refers to the contract date or the date specified in the contract.
4. Unless otherwise specified, this refers to the expected completion date specified in the contract.
5. Original contract sum and amount of contract sum yet to be recognised as at Latest Practicable Date exclude any variation orders or adjustments in contract sum after the award of contract.
6. There is no fixed contract sum for this contract. It is a re-measurement contract based on the actual work done for the customer. The awarded contract sum is approximately HK\$32.6 million.
7. Works for this project have commenced but yet to be certified as at the Latest Practicable Date.
8. Project 36 and 51 are part of the same works located at Sheung Yuet Road. Project 51 commenced upon the completion of Project 36 in October 2015.
9. This refers to the expected completion date as stated in the construction programme issued by the customer.

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## BUSINESS

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### SALES AND MARKETING

Yee Hop Engineering is on the Approved Public Works Contractors List of Development Bureau under four categories, namely (i) Port Works (Group B), (ii) Waterworks (Group BP), (iii) Site Formation (Group BP), and (iv) Roads and Drainage (Group CP) and on the Approved Specialist List of the Development Bureau under the categories of Land Piling (Group II) covering Mini-piles, Rock-socketed Steel H-pile in Pre-bored hole and Steel H pile. Yee Hop Engineering often receives tender invitation letters from Government departments. Our staff also keep track of the tender announcements of various Government departments published in the Hong Kong Government gazettes and websites of various Government departments. In respect of projects from customers other than the Government departments, we secure businesses mainly through invitations for tenders from customers or representatives of the customers, which our directors consider attributable to our well-established presence in the construction industry in Hong Kong.

We do not maintain a team of full time staff specialising on sales and marketing. Our main marketing activity is through the display of our name and logo at construction sites to increase our Group's publicity. In addition, our Directors and senior management may, from time to time, participate in business or social events (such as presentations or seminars), host safety conferences, attend workshops or campaigns organised by professional institutions and provide sponsorships to professional institutions (such as the Hong Kong Institution of Engineers). These activities help us maintain business relationships with customers and build up reputation in the market. From time to time, we may also send our Group's brochures to prospective clients for marketing purposes.

### CUSTOMERS

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

#### For the year ended 31 March 2013:

Customer	Revenue <i>(approximately HK\$'000)</i>	Approximate percentage to the revenue of our Group for that year  <i>(%)</i>	Principal business or sector of the customer	Main category of works undertaken by our Group for the customer	The calendar year in which the customer first started to have business relationship with our Group
Customer A <i>(Note)</i>	169,635	52.8	Contractor: subsidiary of a public company listed in Hong Kong	Foundation and other civil works	2003
Customer B	32,918	10.3	Public utility: subsidiary of a public company listed in Hong Kong	Foundation and other civil works; and tunneling works	2008

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**BUSINESS**

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Customer	Revenue <i>(approximately HK\$'000)</i>	Approximate percentage to the revenue of our Group for that year  <i>(%)</i>	Principal business or sector of the customer	Main category of works undertaken by our Group for the customer	The calendar year in which the customer first started to have business relationship with our Group
Customer C	27,017	8.4	Public utility: subsidiary of a public company listed in Hong Kong	Foundation and other civil works; and tunneling works	2009
Customer D	24,287	7.6	Contractor: a private company incorporated in Hong Kong	Tunneling works	2002
Customer E	23,404	7.3	Contractor: a private company jointly owned by two companies listed in London	Foundation and other civil works; and tunneling works	1999

*Note:* Customer A represents a group of entities which were ultimately controlled by the same shareholder.

**For the year ended 31 March 2014:**

Customer	Revenue <i>(approximately HK\$'000)</i>	Approximate percentage to the revenue of our Group for that year  <i>(%)</i>	Principal business or sector of the customer	Main category of works undertaken by our Group for the customer	The calendar year in which the customer first started to have business relationship with our Group
Customer A <i>(Note)</i>	210,181	52.0	Contractor: subsidiary of a public company listed in Hong Kong	Foundation and other civil works; and tunneling works	2003
Customer C	71,720	17.7	Public utility: subsidiary of a public company listed in Hong Kong	Foundation and other civil works; and tunneling works	2009

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Customer	Revenue <i>(approximately HK\$'000)</i>	Approximate percentage to the revenue of our Group for that year  <i>(%)</i>	Principal business or sector of the customer	Main category of works undertaken by our Group for the customer	The calendar year in which the customer first started to have business relationship with our Group
Customer F	26,746	6.6	Property Developer: subsidiary of a public company listed in Hong Kong	Foundation and other civil works	2013
Customer G	20,082	5.0	Property Developer: a private company incorporated in Hong Kong	Foundation and other civil works	2013
Customer E	16,813	4.2	Contractor: a private company jointly owned by two companies listed in London	Foundation and other civil works	1999

*Note:* Customer A represents a group of entities which were ultimately controlled by the same shareholder.

### For the year ended 31 March 2015:

Customer	Revenue <i>(approximately HK\$'000)</i>	Approximate percentage to the revenue of our Group for that year  <i>(%)</i>	Principal business or sector of the customer	Main category of works undertaken by our Group for the customer	The calendar year in which the customer first started to have business relationship with our Group
Customer A <i>(Note)</i>	300,435	52.0	Contractor: subsidiary of a public company listed in Hong Kong	Foundation and other civil works; and tunneling works	2003
Customer G	141,866	24.6	Property Developer: a private company incorporated in Hong Kong	Foundation and other civil works	2013

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Customer	Revenue <i>(approximately HK\$'000)</i>	Approximate percentage to the revenue of our Group for that year  <i>(%)</i>	Principal business or sector of the customer	Main category of works undertaken by our Group for the customer	The calendar year in which the customer first started to have business relationship with our Group
Customer C	74,129	12.8	Public utility: subsidiary of a public company listed in Hong Kong	Tunneling works	2009
Customer B	23,848	4.2	Public utility: subsidiary of a public company listed in Hong Kong	Foundation and other civil works; and tunneling works	2008
Customer H	18,394	3.2	Property Developer: a private company incorporated in Hong Kong	Foundation and other civil works	2014

### For the four months ended 31 July 2015:

Customer	Revenue <i>(approximately HK\$'000)</i>	Approximate percentage to the revenue of our Group for that period  <i>(%)</i>	Principal business or sector of the customer	Main category of works undertaken by our Group for the customer	The calendar year in which the customer first started to have business relationship with our Group
Customer A <i>(Note)</i>	138,875	55.3	Contractor: subsidiary of a public company listed in Hong Kong	Foundation and other civil works; and tunneling works	2003
Customer G	52,742	21.0	Property Developer: a private company incorporated in Hong Kong	Foundation and other civil works	2013
Customer I	17,388	6.9	Property developer: a consortium consisting of two public companies listed in Hong Kong	Foundation and other civil works	2015

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Customer	Revenue (approximately HK\$'000)	Approximate percentage to the revenue of our Group for that period  (%)	Principal business or sector of the customer	Main category of works undertaken by our Group for the customer	The calendar year in which the customer first started to have business relationship with our Group
Customer B	16,380	6.5	Public utility: subsidiary of a public company listed in Hong Kong	Foundation and other civil works; and tunneling works	2008
Customer J	15,971	6.4	Public organisation	Foundation and other civil works	2014

*Note:* Customer A represents a group of entities which were ultimately controlled by the same shareholder.

Our five largest customers accounted for approximately 86.4%, 85.5%, 96.8% and 96.1% of our total revenues for each of the years ended 31 March 2013, 2014, 2015 and the four months ended 31 July 2015 respectively. In particular, approximately 52.8%, 52.0%, 52.0% and 55.3% of our total revenue in the respective period was attributable to Customer A. Customer A is a group of four companies principally engaged in the business of construction. Our Group entered into contracts with Customer A related to (i) foundation and other civil works; and (ii) tunneling works with the four said companies separately, which were all ultimately controlled by a company listed on the Main Board. The holding company of Customer A had a market capitalisation of more than HK\$41,000 million as at the Latest Practicable Date. According the latest annual report of the holding company of Customer A for the year ended 30 June 2015 published on the website of the Stock Exchange, it recorded a revenue of approximately HK\$24,500 million and a profit of approximately HK\$4,500 million. According to Ipsos Report, (i) Customer A generated a revenue of approximately HK\$1,044 million in the foundation contracts works industry for the calendar year 2014; and (ii) Customer A is ranked sixth with a market share of approximately 5.4% in terms of revenue amongst companies whose businesses are mainly focused on foundation contracting works for the calendar year 2014. Our Directors believe that our positive reputation in the construction industry, capabilities and industry experience are important factors for Customer A to consider awarding contracts to us.

Our Directors consider that the loss of any business from Customer A will not affect our Group's sustainability based on the following reasons:

- (i) According to the Ipsos Report, reputation and credibility in on-time project delivery are important competitive factors in the foundation, civil engineering and tunneling sectors. Our Group has over 25 years of experience in the construction industry in Hong Kong and our Directors believe that our established operating history and proven track record would enhance our reputation and assist us in securing projects from different customers.

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## BUSINESS

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- (ii) Our Group has been able to maintain a stable relationship with our major customers. Our business relationship with our five largest customers, including Customer A, during the Track Record Period, ranged from less than one year to approximately 16 years. Customer A had business relationship with us for approximately 12 years. On the other hand, our Group had been successful in diversifying our customer base by entering into construction contracts with other customers during the Track Record Period. Our Directors confirm that our Group has no intention to confine its business to serving only a few major customers. Our Directors and senior management will continue to expand our business network with prospective customers in the market through the efforts set out in the paragraph headed “Business — Sales and marketing” in this prospectus.
- (iii) Our business strategies are mainly (i) to continue to expand our scale in both foundation and other civil works; and tunneling works in Hong Kong and (ii) to expand our operations in Hong Kong by expanding our foundation and other civil works business in the public housing market and capturing tunneling works opportunities in Hong Kong. Through possessing relevant machineries and staffs with relevant knowledge and industry experience, our Directors believe that we will be able to tender for construction projects with larger scale which require more specialised skills, expertise and a wide range of machineries and equipment and therefore broaden our customer base. For further details of our business strategies, please refer to the section headed “Business — Business strategies” in this prospectus.

Our Directors believe that we have the skills, track record and business networks to find substitute customers by deploying our resources to tender for different projects in Hong Kong in order to diversify our business in order to reduce our reliance on our existing major customers. Accordingly, our Directors believe that the loss of any business from Customer A will not affect our Group’s sustainability.

None of our Directors, their respective close associates, or any Shareholders who or which, own more than 5% of the issued share capital of our Company as at the Latest Practicable Date, had any interest in any of the five largest customers of our Group during the Track Record Period. All of the five largest customers are Independent Third Parties. During the Track Record Period, our Group had not experienced any major disruption in business due to material delays or defaulting payments by our customers by reason of their financial difficulties. Our Directors further confirm that they are not aware of any of our major customers having experienced material financial difficulties that may materially affect our Group’s businesses.

### **Key contract terms with our customers**

Set out below is a summary of typical key terms of our contracts with our customers:

Contract price	Most of our contracts are lump sum fixed price contracts. We undertake to carry out a defined scope of works in return for an agreed contract price. The contract price may be adjusted due to any variation orders to the defined scope of works following the mechanism specified in the relevant contract.
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Duration of projects	<p>Generally, both the expected commencement date and expected completion date are stipulated in the contracts between our Group and our customers. However, the actual or final completion date may be beyond the scheduled completion date due to various reasons, mainly including unanticipated geological conditions of the construction sites, adverse weather and variations of works ordered by customers.</p> <p>In light of the above, there is an “extension of time” provision in the contracts, which stipulates a mechanism for us to apply for an extension on the completion date so that we would not have to pay any liquidated damages for the delay of completion where the cause is beyond our control. For the projects our Group had secured during the Track Record Period, the duration ranged from approximately eight days to three years as between expected commencement dates and expected completion dates.</p>
Payment terms	<p>We are usually entitled to submit interim payment applications to our customers, usually on a monthly basis, taking into account the amount of works completed in that month. The contract also stipulates both the monthly cut-off date and the party representing the customer, such as the customer’s designated surveyor, architect or project manager, to certify the value of the amount of works completed. After the relevant party has certified the value of works completed, our customers usually arrange settlement of the payment by cheque or bank transfer.</p>
Retention money	<p>Retention money is retained by the customer in order to secure our due performance under the contract. Subject to negotiation between the parties, the amount of retention money usually represents 5% or 10 % of the value of works certified in each payment, subject to a maximum retention of 2.5% or 5% respectively of the total original contract value. Half of the retention money is usually released to us upon completion of the work and the remaining half is released to us upon expiry of the defect liability period. As at 31 March 2013, 2014, 2015 and 31 July 2015, the amounts of retention money receivable were approximately HK\$14.1 million, HK\$29.3 million, HK\$35.9 million and HK\$44.1 million respectively.</p>
Defect liability period	<p>To secure that we are able to perform the construction works to the satisfaction of our customers, our customers usually request a 6-month or 12-month defect liability period in the contract. When there are any defects identified during such period, we will be responsible for rectifying the defects caused by either defective materials or any substandard workmanship without charges to our customers.</p>

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Our Directors confirm that there was no material claim against us in relation to work defects or substandard workmanship which had been brought against our Group by our customers during the Track Record Period up to the Latest Practicable Date.

### Performance bonds

When we are engaged as the main contractor in a project, we are, sometimes, requested by our customers to provide performance bonds, which are tripartite agreements among a third party (usually a bank or an insurance company), the customer(s) and us, pursuant to which the bank or insurance company promises to pay a sum of money to the customer(s) in the event of our non-performance of the contract. The principal amount of the performance bond required by our customers usually represents 10% of the total contract sum and is normally released upon completion of the project. When we are engaged by our customer as a subcontractor in a project, we are, generally, not required to provide any performance bonds to either the main contractor or the ultimate owner of the project.

As at 31 March 2013, 2014, 2015 and 31 July 2015, the outstanding principal amount of performance bonds amounted to approximately HK\$29.1 million, HK\$52.8 million, HK\$51.1 million and HK\$66.4 million respectively. During the Track Record Period and up to the Latest Practicable Date, there was no deduction from performance bonds by our customers due to our unsatisfactory performance or breaching of contracts.

### Insurance

Generally, when we are engaged by our customer as the main contractor in a project, we are required to take out and maintain both the employees' compensation insurance and contractor's all risk insurance for the entire project. These insurance policies will cover all works performed and labours employed by us and our subcontractors. When we are engaged as a subcontractor in a project, we are, generally, not required to take out any insurance to cover our construction works or labours as the insurance policies taken up by the main contractor in the project will cover our employees' compensation and contractor's all risks of our work under the project.

### Liquidated damages

Construction contracts typically provide for liquidated damages payable by us as a contractor to the relevant customers if the project is not completed in accordance with the time schedule specified therein, or not extended from time to time as agreed by the customers and us. The amount of liquidated damages payable by us is calculated on a daily basis.

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We believe that we have a reputation for completing projects on schedule, as during the Track Record Period and up to the Latest Practicable Date, no performance bonds had been called by our customers by reason of late completion of any of our projects. During the Track Record Period and up to the Latest Practicable Date, liquidated damages of approximately HK\$8 million had been demanded and deducted in the entire contract sum in one of our projects. Our Directors confirm that there had been no material impact on the financial position of our Group resulted from the deduction of the said liquidated damage from our contract sum in the relevant contract.

Variation orders      Our customers are entitled to require us to carry out variation works, which may involve the alterations or modifications of the design, quality or quantity of the works as described in the contract. A term setting out the mechanism for reaching a variation order between our customers and us is stipulated in the contract. The term also specifies the names and particulars of our customer's representatives in issuing variation orders to us, which entitles us to receive payments on our works performed under the variation orders.

Termination            Generally, our customers are entitled to terminate the contract with us if we have defaulted by:

- completely or substantially suspending the carrying out of the works without good cause;
- not carrying out the works regularly and diligently;
- not complying with the customer's proper instructions which resulted in the contract being materially affected;
- assigning or sub-letting any contracted works without prior written consent from the customer; or
- going into liquidation or entering into any scheme of arrangement with any of our creditors.

On the other hand, as a contractor, we are entitled to terminate the contract if the customer defaults by, *inter alia*:

- not paying any amounts due to us within the period in accordance with the contract;
- interfering with or delaying in the issue of payment certificates to our detriment; or
- postponing the commencement or suspending the works for a prolonged period.

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### *Specific term when we act as subcontractor*

When we act as subcontractors in some projects, apart from the terms disclosed above (save and except for provision of insurance and performance bonds), the subcontracting agreements generally include additional terms such as our obligation to observe the terms in the main contract entered between the main contractor and its customer.

### **Term contract with a customer for the provision of tunneling works**

Our customers generally place orders with us on project basis rather than on long-term agreements, with the exception of one of our tunneling works customers, namely, Customer C, as referred in the paragraph headed “Business — Customers” in this prospectus, who has retained us as the main contractor for its tunneling works for a term of five years with the following principal terms:

#### *Scope of works*

Our Group shall execute the works which involve the design, execution and maintenance of tunneling works in Hong Kong in accordance with Customer C’s instruction for works under the term contract. The customer will place orders with us from time to time specifying the work we need to complete.

#### *Duration of the contract*

Five years, with the upcoming expiry date in August 2016.

#### *Contract sum*

There is no fixed sum for the contract. The contract sum of individual purchase order depends on the works specified thereon based on the unit rates described in the schedule to the purchase orders. Purchasing orders are placed during the design and construction stage of the tunneling works. During the design stage, each purchase order is priced at a lump sum. After approval of the design and during the construction stage, the purchase order is generally priced according to the works done, such as the length and size of the constructed pipeline, and the schedule of rates. The works done is generally represented by linear meter calculated in accordance with the principal of measurement defined in the Hong Kong Government Standard Method of Measurement in Civil Engineering Works, 1992 Edition unless otherwise stated in the contract.

As at the Latest Practicable Date, a total of 41 purchase orders with an aggregate amount of HK\$259.5 million had been placed on us by the Customer C and the amount of payment received under this contract was approximately HK\$172.6 million with an aggregate outstanding contract sum of approximately HK\$86.9 million. Customer C issued one purchase order with a contract sum of approximately HK\$25.1 million to us subsequent to the Track Record Period.

#### *Schedule of rates*

The term contract contains a schedule containing items which are relevant to the purchase orders with the applicable unit rate to be charged against each item.

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### *Rate adjustment mechanism*

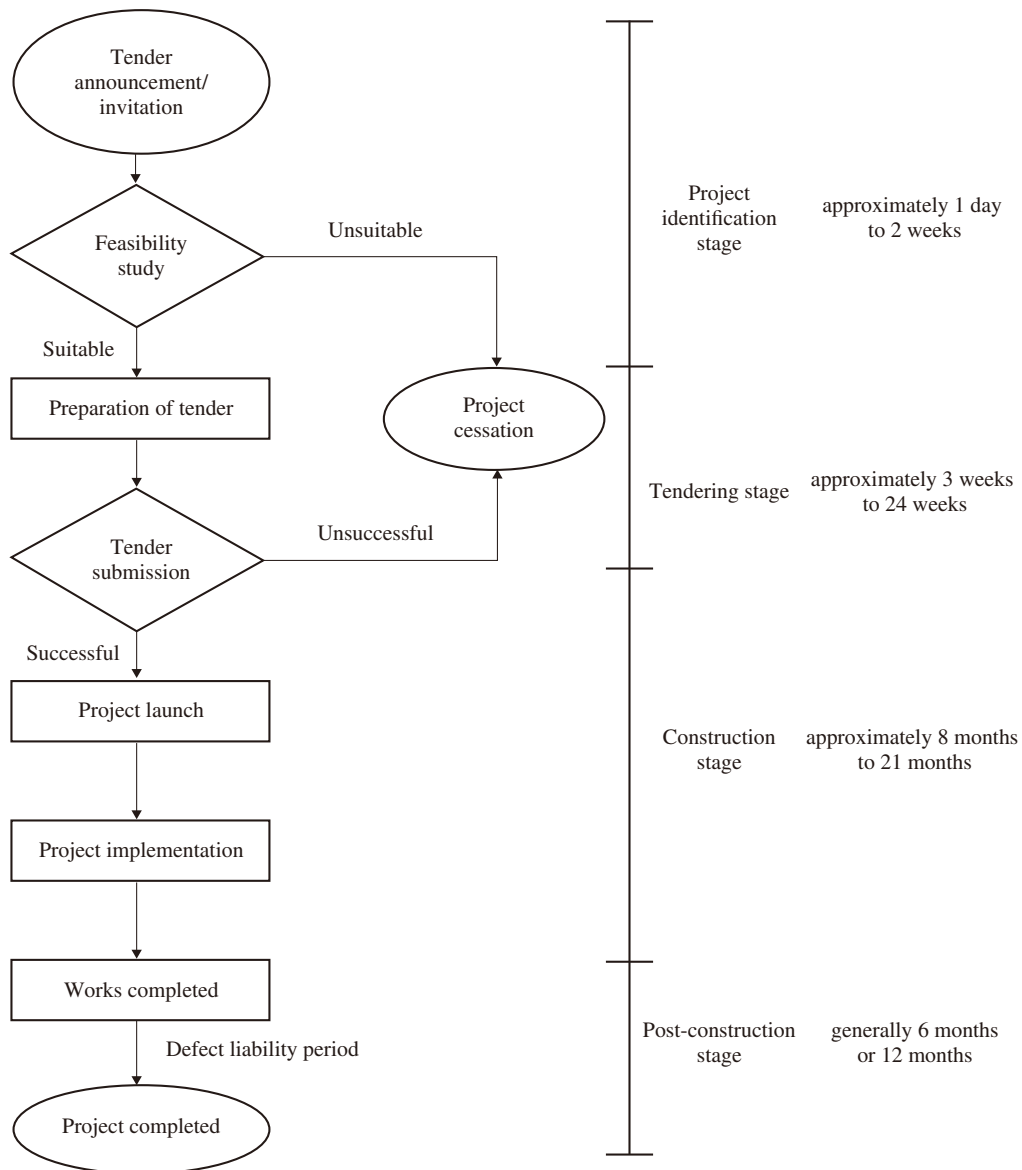
The rates set out in the schedule of rates are fixed for the first 12 months of the term of the contract. After the first 12 months, the rates will be adjusted annually in accordance with the formula specified in the contract.

### *Termination*

In the event of default of either Customer C or our Group, the non-defaulting party may terminate the contract by giving notice to the defaulting party.

## OUR OPERATIONS

Key operational procedures of our Group are outlined as below for illustration purpose:



*Note:* The timeframe is calculated on an approximate basis and may vary from project to project depending on the complexity of the project, the requirements of the customer, and/or our agreement with the customer on the timeframe for the material stages.

Details of key operational procedures as illustrated in the diagram above are set forth as the following:

### **Project identification stage**

We pay heed to the tender announcements of Government departments published in the Government gazette. Further, since Yee Hop Engineering is a listed specialist and an approved contractor under certain lists of the Development Bureau, Yee Hop Engineering often receives tender invitation letters from Government departments. From January 2011 to July 2013, Yee Hop Engineering voluntarily refrained from tendering for roads and drainage works of Highways Department. Such voluntary suspension of tendering was proposed by Yee Hop Engineering to Highways Department as the performance of Yee Hop Engineering in respect of a particular roads and drainage project as assessed by the Highways Department during a period prior to the Track Record Period was not satisfactory. The suspension was uplifted in July 2013 at the request of Yee Hop Engineering after the performance of Yee Hop Engineering had improved, which was recognised by the Highways Department and reflected in Yee Hop Engineering's performance reports subsequently issued. Save and except the voluntary suspension of tendering as mentioned above, our Group had not been forced to refrain or voluntarily refrained from submitting tenders in respect of any types of works of any Government departments during the Track Record Period and up to the Latest Practicable Date. For other projects, customers including property developers, main contractors and public utility companies generally approach us by issuing tender invitation letters. Generally, tender notices or invitations contain a brief description of the scope of the works, expected contract period and the closing time for submission of the tender.

Once we have a potential project, we will assess the feasibility of undertaking such project by reviewing the complexity of the works involved, our prevailing capacity to allocate sufficient labour and resources to the project and our ability to submit a competitive tender proposal with an adequate profit margin. Our Directors are principally in charge of all matters related to the submission of tenders and make the final decision as to whether we should prepare and submit a tender proposal for any projects.

Generally, we may have to decline the tender invitation if our resources are taken up by other projects.

### **Tendering stage**

After our Directors have decided to submit a tender, our tendering department will prepare the tender document by first reviewing the project requirements in detail, then soliciting quotations from suppliers and subcontractors, and if necessary, preliminarily pricing the project items. Depending on the scope of the project, site visits may be arranged to allow better evaluation of pricing.

After completing the preliminary study, a comprehensive set of tender documents mainly including (i) a construction programme with an estimated timeframe for the whole project; (ii) the form of tender specifying the tender sum; (iii) priced bills of quantities; (iv) statement of method with necessary work drawings; (v) terms of the contract; and (vi) site safety supervision plan in accordance with the specifications provided by our customers, will be prepared. Our Directors consider that formulating competitive tenders is essential to maintain

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a satisfactory profit margin of the project. Our Directors with the assistance from our tendering department will then finalise the tender documents, especially the pricing items and the final tender sum to ensure our tender remains competitive and at the same time, maintains the profit margin based on their experience and market knowledge.

Upon receipt of our tender, our customers may further issue tender enquiries or conduct tender interviews with us in order to clarify the particulars of our submitted tender before they decide the award of contracts.

### **Construction stage**

Once the project is awarded to us, our tendering department will give a brief account of the basic information of the projects and highlight the key features thereof to our project team. Depending on the scale and complexity of the project, our project team generally comprises a project director, a project manager, an engineer, a construction manager, a quantity surveyor, a site agent, a foreman, a safety supervisor and a safety officer. Our project team will work out a preliminary plan for carrying out the project in order to ensure that the project can be executed effectively and efficiently. The preliminary plan also contains the arrangements with subcontractors (if applicable) and/or suppliers (if necessary), the deployment of labour, machineries and general health, safety and environmental plans for the project.

The table below sets out the main responsibilities of each key member in a project team:

<b>Position</b>	<b>Responsibilities</b>
Project director	Responsible for overseeing the overall operation of the project including: <ul style="list-style-type: none"><li>– preparing the project plan and budget</li><li>– selecting subcontractors and supervising their daily operation</li><li>– ensuring the fulfilment of all contract requirements and the compliance with legal and regulatory requirements</li><li>– ensuring the project is completed as scheduled and within the budget</li><li>– monitoring payment applications and variation claims</li></ul>

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<b>Position</b>	<b>Responsibilities</b>
Project manager	<p>Responsible for assisting the project director and performing the following functions:</p> <ul style="list-style-type: none"><li>– managing the overall implementation of the project</li><li>– coordinating the logistics of the project including transportation and on-site installation of machineries</li><li>– making orders for construction materials</li><li>– dealing with/resolving any problems encountered during the course of the project</li><li>– ensuring the fulfilment of all contract requirements and the compliance with legal and regulatory requirements</li></ul>
Construction manager	<p>Responsible for:</p> <ul style="list-style-type: none"><li>– ensuring the project is executed in a cost effective manner</li><li>– if applicable, enhancing the design and construction quality</li><li>– making recommendations regarding various construction methods suitable for the project or program</li><li>– formulating strategies to avoid delays, variations and claims</li></ul>
Contracts manager	<p>Responsible for:</p> <ul style="list-style-type: none"><li>– ensuring the implementation of project is in accordance with contract specifications</li><li>– controlling any non-conformance with contracts and monitoring the corrective actions for non-conformance</li><li>– monitoring the subcontractors and suppliers in respect of their quality</li><li>– handling feedback from customers</li></ul>



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<b>Position</b>	<b>Responsibilities</b>
Quantity surveyor	<p>Responsible for:</p> <ul style="list-style-type: none"><li>– reviewing and informing all related staff about the contracts requirements</li><li>– estimating and managing the cost throughout the course of the project</li><li>– monitoring the performance of the subcontractors for payments and changes in contract sums incurred by variation orders</li><li>– making valuation of claims and variation orders</li><li>– assisting in the administration of contracts, payment claims and settlement of final accounts</li></ul>
Site agent	<p>Responsible for assisting the project manager and performing the following functions:</p> <ul style="list-style-type: none"><li>– planning, coordinating and supervising the overall site daily activities</li><li>– assisting in the monitoring of the progress of the project and ensuring all works performed are in accordance with the contract specifications</li><li>– carrying out routine safety inspection and ensuring that all regulations regarding occupational health and safety are adhered to on the project</li><li>– carrying out remedial actions or mitigation measures to rectify any non-compliance</li><li>– liaising with our customers and representatives on-site</li></ul>

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<b>Position</b>	<b>Responsibilities</b>
Engineer/assistant engineer	<p>Responsible for:</p> <ul style="list-style-type: none"><li>– assisting in implementing inspections and test required in the projects</li><li>– ensuring all materials used and all works performed are in accordance with the contract specifications</li><li>– implementing site organization to achieve time and cost targets for the projects</li><li>– overseeing the performance of site staff, equipment and services</li></ul>
General foreman/Foreman	<p>Responsible for assisting the project manager and site agent and performing the following functions:</p> <ul style="list-style-type: none"><li>– assisting site agents in site management related activities</li><li>– carrying out routine inspection and maintenance on the machineries and equipment on-site</li><li>– implementing policies and plans to ensure works are carried out according to contracts specifications</li><li>– coordinating the activities of all staff, subcontractors and all resources to achieve project completion within project constraints</li></ul>
Safety officer	<p>Responsible for assisting the project manager and site agent and performing the following functions:</p> <ul style="list-style-type: none"><li>– establishing and maintaining the site safety measures for all staff in accordance with the relevant law and regulations</li><li>– providing safety trainings to all level of employees</li><li>– carrying out site inspections to identify any safety risk and ensure all safety measures are in place</li><li>– investigating and reporting the circumstances of any accident or dangerous occurrence in the construction site and giving relevant recommendations to prevent recurrence of similar accidents</li><li>– preparing and submitting monthly safety reports regarding the construction site</li></ul>

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Our project team has to monitor the progress, costs incurred and quality of works in carrying out the contract in order to ensure that both our customer's requirements and statutory requirements can be met. Generally, the project team needs to report to our Directors at least twice a month to ensure that the project progress is in accordance with the schedule set by our customers and to allocate sufficient resources such as staff and machineries for the project. The project team will also prepare the payment application, based on the amount of works completed on a monthly basis and submit the payment application to the customers or their representatives for certifying the actual work done under the contract.

At the same time, our project team will review the progress of implementation of our construction works, keep close contact with our customers and their professional representatives, like architects, engineers and quantity surveyors, and report to them regarding the site progress and resolve any problems which may arise when carrying out the contract works. The project manager is responsible for communicating with the customer about the additional/variation works to be undertaken by us, which may entitle us to additional payments under the variation orders, instructions and seeking feedback from customers.

Our project team is responsible to engage and procure suitable subcontractors and/or construction materials if required under the projects. For further details of procurement of subcontractors and suppliers, please refer to the paragraphs respectively headed "Business — Subcontractors" and "Suppliers" in this prospectus.

If the project requires our Group to acquire additional machineries and/or equipment to meet the project requirements, our project team will also be responsible to procure such additional machineries and equipment. For further details of procurement of machineries and equipment, please refer to the paragraph headed "Business — Machinery" in this prospectus.

### **Post-construction stage**

After we have completed all the site works and the professional representatives of the customers have certified the works duly completed (if so required under the contract), the 6-month or 12-month defect liability period will commence. We are liable to make good any defects of the works identified during such period caused by either defective materials, goods or substandard workmanships.

When the defect liability period expires, the professional representatives of the customers will carry out an on-site joint inspection with us. Once they have certified that there are no uncompleted items of works for the contract, the remaining retention money will be released to us.

### **SUPPLIERS**

Major construction materials used by us include cement and concrete; structural steel, steel/reinforced concrete sleeve pipes and petrol. Unless the customers nominate specified suppliers in the contract, we usually select suppliers from our approved list of suppliers based on the prices quoted by the suppliers from time to time, quality of materials and reputation of the suppliers. Furthermore, we generally provide construction materials to our subcontractors to complete the works.

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Generally, we submit a schedule of construction materials to the customers for their approval before we place any purchase orders. Our project team then decides on the quantity to be ordered and the delivery schedule, based on the site progress and project requirements. Construction materials procured by us are usually delivered by the suppliers to the construction site directly. Owing to the limited space of the construction site, our project team usually plans the delivery schedule a short time beforehand to avoid excess inventory.

For projects where we act as subcontractors, there are usually two arrangements:

- 1) Our customers (usually the main contractors) would require us to purchase the construction materials required for the completion of project. The cost of construction materials would be included in the contract sum of the subcontract. We follow the same procedure when we are the main contractor for the procurement of necessary construction materials; or
- 2) Our customers or the ultimate owners of the project would provide us with construction materials to carry out the works under the contract. In such case, the cost of construction materials is not included in our contract sum and we do not have to carry out any procurement of construction materials for the project.

Since our works involve the use of machineries and equipment, depending on the circumstances, we may have to purchase or lease machineries and equipment to facilitate the execution and completion of works. For further details of our machineries and equipment, please refer to the paragraphs headed “Business — Machinery” in this prospectus.

### *Selection of suppliers*

Our Group maintains a pre-approved list of suppliers. As at the Latest Practicable Date, our list consisted of about 200 suppliers in over 10 categories for the supply of construction materials like structural steel, cement, petrol, reinforcement, concrete, machineries and laboratory testing services. During the Track Record Period, none of the suppliers were removed from our pre-approved list of suppliers due to the poor quality of construction materials or services provided to us.

### *Payment terms*

Our suppliers normally issue an invoice to us after the delivery of construction materials on site. The credit periods granted by our suppliers to us range from 30 days to 60 days from the invoice date, depending on a number of factors including the type of materials purchased, the transaction value and our relationship with the suppliers. We settle the payment in Hong Kong dollars by cheque payments. For construction materials procured or purchased by customers or main contractors, the purchase amounts are usually settled by way of contra-charge to the accounts with such customers or main contractors.

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### *Construction materials and accessories costs and our five largest suppliers during the Track Record Period*

We had incurred approximately HK\$83.1 million, HK\$136.0 million, HK\$147.7 million and HK\$58.1 million in the procurement of construction materials and accessories for the three years ended 31 March 2013, 2014, 2015 and the four months ended 31 July 2015 respectively, representing approximately 31.9%, 40.9%, 35.6% and 31.8% of our total cost of services for the corresponding periods. The costs incurred from the procurement from our largest supplier, being a construction materials supplier who principally supplied structural steel to us, in each financial year/period accounted for approximately 12.8%, 40.7%, 35.0% and 35.0% of our total construction materials and accessories costs for each of the years ended 31 March 2013, 2014, 2015 and for the four months ended 31 July 2015 respectively, and construction materials and accessories costs incurred from procurement from our five largest suppliers in each financial year accounted for approximately 52.1%, 62.0%, 55.9% and 61.1% of our total construction materials and accessories for the three years ended 31 March 2013, 2014, 2015 and four months ended 31 July 2015 respectively. During the Track Record Period, we had not entered into any long term contracts with any of our suppliers and had not experienced any significant shortage of construction materials and accessories causing material disruption to our works. Our Directors believe that the supply of construction materials and accessories that we usually use in our projects is stable and sufficient in the market and there is no difficulty in procuring the required construction materials and accessories from suppliers for our projects as when required and therefore, we do not enter into any long-term agreement with our suppliers.

The following tables set forth the profile of our five largest suppliers (excluding our subcontractors) for the three financial years in the Track Record Period:

**For the year ended 31 March 2013:**

Name of supplier	Construction materials and accessories cost incurred (HK\$'000)	Approximate percentage to the total construction materials and accessories cost of our Group that year (%)	Principal construction materials and accessories provided	The calendar year in which the supplier first started to have business relationship with our Group
Supplier A	10,674	12.8	Structural steel	2003
Supplier B	9,889	11.9	Structural steel	2011
Supplier C	9,464	11.4	Miscellaneous accessories like gloves, safety helmets	2003
Supplier D	7,114	8.6	Petrol	2003
Supplier E	6,141	7.4	Structural steel	2004

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**For the year ended 31 March 2014:**

Name of supplier	Construction materials and accessories cost incurred (HK\$'000)	Approximate percentage to the total construction materials and accessories cost of our Group that year (%)	Principal construction materials and accessories provided	The calendar year in which the supplier first started to have business relationship with our Group
Supplier A	55,318	40.7	Structural steel	2003
Supplier E	9,896	7.3	Structural steel	2004
Supplier C	8,021	5.9	Miscellaneous accessories like gloves, safety helmets	2003
Supplier D	5,795	4.3	Petrol	2003
Supplier F	5,134	3.8	Structural steel	2004

**For the year ended 31 March 2015:**

Name of supplier	Construction materials and accessories cost incurred (HK\$'000)	Approximate percentage to the total construction materials and accessories cost of our Group that year (%)	Principal construction materials and accessories provided	The calendar year in which the supplier first started to have business relationship with our Group
Supplier A	51,709	35.0	Structural steel	2003
Supplier C	9,158	6.2	Miscellaneous accessories like gloves, safety helmets	2003
Supplier E	7,825	5.3	Structural steel	2004
Supplier G	7,259	4.9	Cement and river sand	2008
Supplier D	6,599	4.5	Petrol	2003

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**For the four months ended 31 July 2015:**

Name of supplier	Construction materials and accessories cost incurred (HK\$'000)	Approximate percentage to the total construction materials and accessories cost of our Group that period (%)	Principal construction materials and accessories provided	The calendar year in which the supplier first started to have business relationship with our Group
Supplier A	20,305	35.0	Structural steel	2003
Supplier F	4,571	7.9	Structural steel	2004
Supplier C	4,436	7.6	Miscellaneous accessories like gloves, safety helmets	2003
Supplier D	3,231	5.6	Petrol	2003
Supplier H	2,911	5.0	Structural steel	2013

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

### *Inventory control*

If we are involved in the procurement of construction materials for a particular project, the purchases will be made as needed and the construction materials will be delivered to the work sites directly for use. Our project team plans the delivery schedule ahead to ensure immediate consumption of construction materials due to the limited storage space at our construction sites. As a result, we generally do not keep excess inventory of construction materials. Our Directors consider that the amounts of construction materials stored at our construction sites as at 31 March 2013, 2014, 2015 and 31 July 2015 were insignificant to our Group. Accordingly, the costs of construction materials were accounted as an expense and included in the cost of services in the combined statements of profit or loss and other comprehensive income of our Group for the three years ended 31 March 2013, 2014, 2015 and the four months ended 31 July 2015.

### *Quality control*

Our Group will inspect the quality of construction materials upon receipt and our customers or their representatives will approve the construction materials to be used for the project. Further, for some of the construction materials, such as concrete, we will conduct sample testing on the quality upon their arrival. Some construction materials such as structural steel and re-bar are mill-certified. When they are delivered to us from our suppliers, we do not need to test their quality further save for obtaining a copy of the mill-certificate.

### **SUBCONTRACTING**

Depending on the type of works, the relevant licensing/specialist requirements, and the level of our internal resources, we sometimes subcontract part of our works to our subcontractors. For our foundation and other civil works, the subcontracting works generally include shoring installation, road works, fabrication of structural steel members, transportation, erection of formwork, ground investigation works, reinforcement installation, and finishes works. For our tunneling works, the subcontracting works generally include transportation, designing, hoarding works, shoring installation, fencing installation, erection of site office, flexible pavement and finishes works. If there is any type of works which requires licence that we do not have or any expertise or skills that we do not possess, we will subcontract that part of our works to our subcontractors in order to utilise the expertise of other specialist contractors. On the other hand, while there is a shortage of our own workforce or machineries, we will subcontract part of our works to qualified subcontractors. By subcontracting specific type of works, we can spare more time and resources to the areas of works which we can perform in a cost effective manner and at the same time, monitor the quality of the works conducted by our subcontractors and conduct project management for such subcontracted works. Furthermore, the subcontracting arrangement enables us to capture more business opportunities in the construction industry and would help us generate additional revenue and enhance our presence in the Hong Kong construction industry, in particular, in the circumstances that our Group's then available level of resources is insufficient to support the potential projects but it may not be feasible for us to increase our operation capacity by increasing the manpower or the number of machineries simply for the purpose of performing additional works on an ad hoc basis. Hence, the subcontracting arrangement can ease our workload and enable us to bid for more projects from time to time.

To control the quality of our subcontractor's work, contract terms between us and our subcontractors would be made similar to the terms set out in the contracts between us and our customers. Further, we would provide the necessary training for our subcontractors and conduct project progress meetings with our subcontractors from time to time in order to ensure they follow all of our safety and works quality standards. Generally, main contracts between our customers and our Group do not prohibit us from further subcontracting the works.

#### **Major terms with subcontractors**

If necessary, we may subcontract part of the construction works to qualified subcontractors by entering into contracts with them. The terms of our contracts with subcontractors vary corresponding to the terms of the contract between our customers and us in order to ensure that our subcontractors comply with the relevant terms and perform their works in accordance with the specifications under the main contracts on a back-to-back basis. A typical contract entered into between subcontractors and us usually contain the following major terms:

- the scope of works and the subcontracting rates or price, which are inclusive of the costs of construction materials, labour costs, plant and equipment costs and miscellaneous expenses to be incurred by the subcontractor;



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- rights and obligations of the parties such as the subcontractor's obligations to observe the terms in the main contract and procure construction materials. The main contractor in a particular project is normally responsible for effecting employees' compensation insurance and contractors' all risks insurance. The types of insurances that are usually maintained by us as the main contractor would include insurances against injury to persons or damages to property, insurances of the works against fire and the employee's compensation insurances;
- the prohibition of assignments or subcontracts by the subcontractor of all or any of their works under the subcontracting agreement, unless with our prior consent;
- liquidated damages, which are payable by the subcontractor to us if the subcontractor fails to complete the works on or before the specified completion date;
- retention money, where we will retain, on average, a maximum of 5% of the total amount of fees payable to the subcontractors as retention money. Generally, half of the retention money will be released to the subcontractors upon completion of the subcontract works and the remaining half will be released to subcontractors upon expiry of the defect liability period, which is mirrored by the main contract;
- compliance, where the subcontractor is obliged to comply with all the relevant rules and regulations in connection with the works and the subcontractor's responsibilities and policies relating to quality control, work safety and environmental protection;
- termination, which provides for our right to terminate the subcontracting agreement upon occurrence of any of the following events:-
  - (i) the subcontractor having defaulted by completely or substantially suspending the carrying out of the works without good cause;
  - (ii) the subcontractor having defaulted by not carrying out the works regularly and diligently;
  - (iii) the subcontractor having defaulted by not complying with the orders given to them, such as removing construction materials or wastes off-site in accordance with the subcontract; or
  - (iv) our engagement in the project is terminated for any reason whatsoever before the subcontractor has fully performed his obligations under the subcontract;
- undertakings by the subcontractor to indemnify our Group against:
  - (i) any liabilities to other persons for causing any bodily injury, damage to property or other loss which may arise out of or in consequence of the design, execution, completion or maintenance of the subcontract works;

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- (ii) any loss, cost and expense arising from a breach caused by the subcontractor on obtaining any permit and paying any fees which are solely attributable to the performance of the subcontract works; and
- (iii) any claim, damage, loss or expense due to or resulting from any negligence or breach of any duty or relevant regulations, rules and bye-laws on the part of the subcontractor, its employees or agents.

Our Directors confirm that they are not aware of any instances during the Track Record Period, where our Group's subcontractors had assigned or subcontracted all or any part of their works without our prior consent and there were no instances where we terminated the engagement of our subcontractors.

### **Vicarious liability and control measures**

In general, we are liable to our customers for the performance of our subcontractors under the main contract we entered into with our customers. These include the acts, defaults or negligence of the subcontractors and their employees.

To protect our position, it is provided in the subcontracts that subcontractors have acknowledged that they had reviewed the main contracts and they are deemed to have accepted all the provisions of the main contracts to the extent that they are relevant to the subcontract works. Further, we specify the quality assurance requirements in the subcontracts and we can impose enforcement actions against the subcontractors for loss and damages suffered by us as a result of their acts, omissions or non-conformances with any quality assurance requirements under the subcontracts. Such enforcement actions may include, but are not limited to, verbal or written warnings to the subcontractors, requesting the subcontractors to reimburse us with the costs and expenses for any preventive or remedial actions deemed necessary by us as a result of the subcontractors' actions, omissions or non-conformances, and charging the subcontractors with a fixed sum of contribution to the administration of the quality assurance systems.

To further safeguard us from any possible liabilities arising from health and safety issues, we generally require our subcontractors, in carrying out the subcontract works, to comply with all requirements determined by us relating to health, safety, working hours, noise, nuisance, pollution, the carrying out of construction works and the employment of workers engaged therein. A site safety and accident prevention scheme and an environmental protection and promotion scheme devised by us are set out in the subcontracts. Under the two schemes, subcontractors are required to pay financial contributions for certain acts, omissions or non-conformances on safety and environmental protection issues. These financial contributions are used for the promotion of workers' awareness on environmental protection and safety on sites by the granting of safety awards to workers, organising safety competitions or granting of environment promotion awards to the workers of our Group and our subcontractors working at the construction sites.

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Further, our subcontractors are required to submit a return form setting out therein the daily labour and supervisory staff in relation to the implementation of the project to us. It is the subcontractors' obligation to keep on site an up-to-date and complete record of the full name of each of their employees as shown in his or her identity card and produce the list for inspection on demand by us. It is also the subcontractors' obligation to observe and comply with the requirements in all enactments, ordinances and regulations in relation to the employment of qualified personnel, including but not limited to competent persons and certified workers in the execution of the subcontract works. Our subcontractors are required to provide us with all the relevant certificates of their employees for inspection before commencing the works. During the Track Record Period, no illegal workers were reported on any of our construction sites.

### **List of our subcontractors**

We maintain a list of qualified subcontractors, who have been selected by us based on their past performance and reputation in the industry.

Procedures in accordance with ISO 9001 quality management system are set up for maintaining the list of subcontractors of our Group. For any new subcontractors or any subcontractors with whom we had no business relationship with for the past three years, an evaluation will be conducted prior to awarding any subcontract works to such subcontractors. We will evaluate the performance of our subcontractors on a yearly basis. If necessary, the performance of individual subcontractors will be evaluated after completion of each project.

Our five largest subcontractors during the Track Record Period had business relationships with us with a range of one year to nine years. During the Track Record Period and up to the Latest Practicable Date, we had about 280 subcontractors on our list of qualified subcontractors. To avoid relying on a few subcontractors to perform subcontract works which require specific skills, we generally maintain more than one subcontractor for each area of expertise on our list of qualified subcontractors, such as structural steelworks and finishes works. During the Track Record Period, none of the subcontractors had been removed from our list of qualified subcontractors due to poor performance in subcontracting works.

### **Subcontracting payment to our subcontractors**

We normally pay our subcontractors on a monthly basis based on the value of the works completed. Each of our subcontractors is required to submit a written request for payment to us every month. Once we have verified the subcontractor's request against the actual works completed, we would release the relevant portion of the subcontracting amounts netting off the relevant retention money, if applicable.

In order to manage our cash flow in terms of matching payments from customers with payments to subcontractors, our finance department closely monitors the incoming and outgoing cash flows by monitoring our management accounts, which are updated on a monthly basis. Our Directors confirmed that during the Track Record Period, there was no material default in payments to subcontractors of our Group.

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The subcontracting costs incurred by us amounted to approximately HK\$53.0 million, HK\$51.9 million, HK\$94.0 million and HK\$46.4 million for the three years ended 31 March 2013, 2014, 2015 and the four months ended 31 July 2015 respectively, representing approximately 20.4%, 15.6%, 22.6% and 25.4% of our total cost of services for each of the respective financial years/period. For each of the individual projects, the amount of subcontracting charges payable is largely dependent on the extent of involvement of subcontractors, which is in turn subject to the nature and method of construction works required.

### **Our five largest subcontractors during the Track Record Period**

We will consider and estimate the extent of involvement of our subcontractors and the subcontracting costs when we prepare the relevant tender of each project. Accordingly, our Directors believe that the slight fluctuation of subcontracting costs, if any, will not have a material impact to our Group's financial performance. The subcontracting costs paid to our largest subcontractor for each financial year/period accounted for approximately 33.9%, 27.8%, 15.9% and 48.4% of our total subcontracting fee for the years ended 31 March 2013, 2014, 2015 and the four months ended 31 July 2015 respectively, while the subcontracting fee paid to our five largest subcontractors for each financial year/period accounted for approximately 67.1%, 55.6%, 54.6% and 77.5% of our total subcontracting fee for each of the corresponding financial years/period. Our Directors consider that there are sufficient subcontractors in the market which are suitable for us to delegate some of our works. As we had about 280 subcontractors on our list of qualified subcontractors as at the Latest Practicable Date, our Directors believe that we are able to engage alternative subcontractors to take up part of our works as when needed.

The following tables set forth the profiles of our five largest subcontractors for the three financial years in the Track Record Period:

#### **For the year ended 31 March 2013:**

Name of subcontractor	Subcontracting fee incurred (HK\$'000)	Approximate percentage to the subcontracting fee of our Group for that year (%)	Principal services provided	The calendar year in which the subcontractor first started to have business relationship with our Group
Subcontractor A	17,978	33.9	Shoring and pipe pile installation	2009
Subcontractor B	7,900	14.9	Piling works	2006
Subcontractor C	4,749	9.0	Finishes works	2011
Subcontractor D	2,823	5.3	Removal of shoring	2010
Subcontractor E	2,133	4.0	Ground investigation works	2011

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**For the year ended 31 March 2014:**

Name of subcontractor	Subcontracting fee incurred (HK\$'000)	Approximate percentage to the subcontracting fee of our Group for that year (%)	Principal services provided	The calendar year in which the subcontractor first started to have business relationship with our Group
Subcontractor F	14,420	27.8	Shoring installation	2013
Subcontractor G	4,954	9.5	Road works	2013
Subcontractor H	4,101	7.9	Fabrication of structural steel members	2013
Subcontractor I	3,269	6.3	Transportation	2013
Subcontractor J	2,121	4.1	Sheet piling installation	2014

**For the year ended 31 March 2015:**

Name of subcontractor	Subcontracting fee incurred (HK\$'000)	Approximate percentage to the subcontracting fee of our Group for that year (%)	Principal services provided	The calendar year in which the subcontractor first started to have business relationship with our Group
Subcontractor K	14,927	15.9	Steel and metal works	2014
Subcontractor F	11,878	12.6	Shoring installation	2013
Subcontractor I	11,306	12.0	Transportation	2013
Subcontractor L	7,225	7.7	Formwork and concreting	2014
Subcontractor M	5,976	6.4	Fabrication of structural steel	2013

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**For the four months ended 31 July 2015:**

Name of subcontractor	Subcontracting fee incurred (HK\$'000)	Approximate percentage to the subcontracting fee of our Group for that period (%)	Principal services provided	The calendar year in which the subcontractor first started to have business relationship with our Group
Subcontractor K	22,431	48.4	Steel and metal works	2014
Subcontractor I	5,917	12.8	Transportation	2013
Subcontractor O	4,506	9.7	Addition and alteration	2015
Subcontractor P	1,627	3.5	Re-bar erector work	2007
Subcontractor Q	1,416	3.1	General civil work	2010

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

### MACHINERY

As disclosed in the paragraph “Competitive strengths” of this section above, one of our competitive strengths is that we have a broad range of machineries and equipment to carry out the construction works. We acquired machineries from local and overseas suppliers such as those from Japan. Our Directors believe, and as confirmed by Ipsos Report, that possessing a large range of machineries would enable our Group to enjoy greater flexibility in allocating resources and place less reliance on renting machineries from others. For the years ended 31 March 2013, 2014, 2015 and the four months ended 31 July 2015, we acquired new machineries in the amount of approximately HK\$44.5 million, HK\$45.8 million, HK\$17.0 million and HK\$6.2 million, respectively. As at 31 July 2015, our machineries had an aggregate net carrying value of approximately HK\$69.1 million.

Depending on the nature of the construction works and availability of our own machineries, we may also from time to time lease certain machineries from outside parties. During Track Record Period, we had leased machineries from Chun Wai Cranes Limited and Chun Wai Engineering Company, both wholly owned by Mr. Pang Chun Yu, Wesley, a son of Mr. Pang, who was a director and shareholder of Y.H. Foundations within the last 12 months from the Latest Practicable Date, Chun Wai Cranes Limited and Chun Wai Engineering Company are therefore regarded as a connected person to the Company pursuant to the Listing Rules. For the particulars of the transaction, please refer to the paragraphs headed “Connected Transactions — Non-exempt continuing connected transactions — Lease and mobilization of machineries” in this prospectus for further details. During the Track Record Period, we also purchased plant and equipment from Chun Wai Engineering Company in the amount of approximately HK\$4.2 million. Please refer to note 35 of the Accountants’ Report in Appendix I to this prospectus for details of our historical transactions with Chun Wai Engineering Company during the Track Record Period.

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As at 31 July 2015, our Group had over 200 units of machineries and equipment in use. Some of the principal machineries of our Group (acquired within the preceding five calendar years with initial cost of acquisition of over HK\$1 million) are set out below:

Name of Machinery	Quantity	Principal functions	Year of acquisition	Cost of acquisition <i>(approximately HK\$ million)</i>	Carrying value as at 31 July 2015 <i>(approximately HK\$ million)</i>	Average remaining useful life <i>(approximate year)</i> <i>(Note)</i>
A set of 2 pipe jacking machines (diameters: 1.2m to 1.6m and 1.5m to 2.0m)	1	Underground excavation tunnelling machines for pipe line laying, maximum pipe diameter not exceeding 1.2m to 1.6m and 1.5m to 2.0m	2012	17.86	6.85	2.0
A set of hydraulic crawler crane and hydraulic vibratory hammer	1	Used in providing services of lifting casings, drill rods, steel H-piles, etc. during the course of piling works/Machinery used in installation of sheet piles and withdrawal of temporary casings for piling works	2012	2.72	1.18	2.2
A set of pile drivers and foundation equipment	1	(i) A piling hammer used for driving all type pipe with max energy 210kNm (ii) Machinery used for driven steel H-pile installation when equipped with hydraulic hammer or used to drill hole below ground including overcome obstruction and drill bedrock for rock socketed H-pile installation when equipped with rotator and (iii) A 20 tonnes steel hammer piling hammer used for driving all type pipe	2014	4.95	3.71	3.8
Auto grout mixer	1	An advance integrated grout mixing plant equipped with silo for bulk cement storage which is used in providing speedy and large quantity of cement grout for rock socketed H-pile installation	2014	1.20	0.92	3.9
Excavator	1	65 tonnes tracked excavator for excavation works	2013	1.45	0.94	3.3

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Name of Machinery	Quantity	Principal functions	Year of acquisition	Cost of acquisition <i>(approximately HK\$ million)</i>	Carrying value as at 31 July 2015 <i>(approximately HK\$ million)</i>	Average remaining useful life <i>(approximate year)</i> <i>(Note)</i>
Hydraulic crawler crane	1	A crane mounted on an undercarriage with a set of tracks with lifting capacity up to 110 tonnes	2011	7.46	1.74	1.1
Hydraulic crawler crane	3	Used in providing services of lifting casings, drill rods, steel H-piles, etc. during the course of piling works	2013, 2014	1.50 – 4.38	1.03 – 2.8	3.2 – 3.5
Hydraulic drilling rig	4	Used to drill hole below ground including overcome obstruction and drill bedrock for mini-pile and H-pile installation	2012, 2013	1.62 – 3.94	0.84 – 1.77	2.0 – 2.6
Lifting machine	4	A crane mounted on an undercarriage with a set of tracks with lifting capacity up to 80 and 110 tonnes	2013, 2014	1.28 – 5.50	0.96 – 3.21	2.7 – 3.8
Pile driver	1	A piling hammer used for driving all type pipe with maximum energy 132 kilonewton meter	2012	1.90	0.86	2.3
Pile driver	1	Machinery can either drive in pile or extract a pile in temporary foundation shoring	2013	3.40	2.09	3.1
Piling rig	3	Used for driven steel H-pile installation when equipped with hydraulic hammer or used to drill hole below ground including overcome obstruction and drill bedrock for rock socketed H-pile installation when equipped with rotator	2012, 2013	1.35 – 2.69	0.81 – 1.66	2.4 – 3.1
Pipe jacking machine	1	Machine equipped to the tunnelling machine to enlarge the diameter to 1.6m for pipe line laying	2011	1.08	0.13	0.6



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Name of Machinery	Quantity	Principal functions	Year of acquisition	Cost of acquisition <i>(approximately HK\$ million)</i>	Carrying value as at 31 July 2015 <i>(approximately HK\$ million)</i>	Average remaining useful life <i>(approximate year)</i> <i>(Note)</i>
Pipe jacking machine (diameters: 0.6m to 0.8m)	1	Underground excavation tunnelling machine for pipe line laying, maximum pipe diameter 0.6m to 0.8m	2010	5.19	0.26	0.3

*Note:* As per the applicable accounting policies adopted by our Group, depreciation of our machineries and equipment is calculated using the straight line method at 20% per annum to allocate their costs to their residual values over the estimated useful lives of the machineries and equipment. The estimated useful life of plant and machinery of the Group to derive future economic benefits from the use of the plant and machinery is 5 years. The residual values and useful lives of the machineries and equipment are reviewed and adjusted if appropriate, at each balance sheet date. Though certain plant and machinery are used over 5 years, the expected future economic benefits of which would have diminished and uncertain, the Group will continue to maintain the condition of such plant and machinery, if economically viable.

Some of our machineries, such as the load shifting machines like excavators, dozers and loaders, are under the statutory requirements that they can only be operated by the operator who has attended the relevant training course and holds a valid certificate. As at the Latest Practicable Date, our Group had 32 machinery operators and all of them hold the relevant certificates for operating the machineries.

As at the Latest Practicable Date, our Group had a team of 11 in-house maintenance staff members. Our plant manager has worked for our Group for over 14 years and the assistant plant managers have in average worked for our Group for over seven years. Our maintenance team is mainly responsible for inspecting our machineries regularly and arranging for repairing our machineries and equipment by our in-house maintenance team or external testing and surveying services companies. These external services companies will also inspect, examine and test our machineries and certify the fitness of our machineries when necessary.

Further, to ensure the safety and efficiency of the works carried out by us, regular inspections of the machineries are carried out by our maintenance team and site staff. The frequency of inspection and servicing depends on the types of machineries, extent of use and the working conditions of site areas. Our Group performs a daily routine service and inspection, which includes oiling, refueling and tire inspection for our machineries and equipment which are in use at the construction sites.

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### Finance Lease

As at 31 July 2015, 44 units of machineries operated by our Group were financed by finance lease arrangements between our Group and financial institutions in Hong Kong whereby the ownership of the machineries remain with such financial institutions until the total rental set out in the individual lease agreement has been paid up in full and whereupon our Group has exercised or deemed to have exercised the option to purchase the relevant machineries. Though the terms and conditions of the finance lease agreements entered into between our Group and the financial institutions are different, the salient terms thereof are now generalised and set out herein below:-

Parties	The financial institution as the owner and our Group as the lessee.
Ownership	The machinery is and will continue in the ownership of the financial institution until our Group has paid up the entire lease purchase price and interests and whereby, the ownership of the machinery will vest in our Group by our exercise of the option to purchase the machinery. Before the ownership of the machinery has vested in to our Group, our Group possess the machinery only as bailee.
Lease period	Between 24 to 60 months.
Rental	Being the aggregate of the outstanding balance of the lease purchase price of the machinery and the interest (as mentioned below).
Interest rate	The interest rate is calculated at a fixed rate or a floating rate. Obligation under finance leases carried interest at floating rates from 2.63% to 5.25% per annum, and at fixed rates from 1.18% to 2.25% per annum during the Track Record Period.
Monthly rent	The rent is calculated based on the above-mentioned rental and the length of the lease period and is payable by us on a monthly basis.
Option to purchase	Provided that we have duly observed and performed all our obligations and/or terms and conditions under the lease agreement and has paid the lease purchase price in full, we shall be entitled to exercise or is deemed to have exercised the option to purchase the machineries.
Insurance	We shall insure the machinery against loss or damage during the lease period.

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Termination	We have the right to terminate the lease agreement during the lease period provided that, among others, we shall pay the financial institution all outstanding balance of the lease purchase price and all other money owing to the financial institution under the lease agreement, if any.
Termination on default	The financial institution is entitled to terminate the lease agreement upon the occurrence of any event of default set out in the lease agreement, whereupon, the financial institution shall have the right to repossess the machinery. In such event, we shall pay all unpaid amount, including outstanding rental, cost, and general damages (if any) to the financial institution upon demand.
Lessee's undertaking	We, as lessee, are subject to customary undertakings in the lease agreement such as keeping the machinery in good condition and repair at our own cost.
Indemnity	We shall indemnify the financial institution by payment in cash on demand against all costs, charges, expenses and liabilities which may be incurred by the financial institution by reason of entering into the lease agreement.

As at 31 March 2013, 2014, 2015 and 31 July 2015, the aggregate net carrying value of our machineries under the prevailing lease agreements amounted to approximately HK\$39.3 million, HK\$60.9 million, HK\$48.5 million and HK\$46.1 million respectively. The lease arrangements are classified as finance leases under HKFRS.

### Utilisation rate

Owing to the unique nature of our business operations in carrying out construction works, it is not feasibly practicable to quantify and disclose detailed utilisation rate of our machineries for the following reasons:

- (i) depending on the nature of a construction project, different machines are used at different work stages and some machineries and equipment are therefore left idle and unused in the active construction sites pending completion of other stages from time to time. Also, machines are sometimes left unused for repairing, assembling or disassembling in the active construction sites. For such reasons, our Directors believe that it would not be meaningful to define accurate utilisation rate of machines in general and make full account of the hourly or daily usage of each machinery and equipment; and
- (ii) as at 31 July 2015, our Group had over 200 units of machineries and equipment in use. Our Directors believe that each unit of our machineries and equipment has its own unique features making it difficult to identify certain types of machineries and equipment that are more crucial to the operation of our Group.

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### **Machinery leased to other parties**

Unutilised machineries are usually stored in our storage areas. Occasionally, our machineries are leased to other contractors. However, our Directors confirm that we are not actively pursuing and do not intend to pursue actively business opportunities in machinery leasing, as such activities are conducted only for maintaining good business relationship with fellow contractors in the construction industry. During the Track Record Period, the aggregate of other income generated from leasing machinery to other parties was approximately HK\$3.4 million, HK\$3.3 million, HK\$1.2 million and nil respectively. During the Track Record Period, approximately HK\$1.2 million of such other income was generated from leasing of machineries and equipment to Chun Wai Engineering Company, a connected person to the Company pursuant to the Listing Rules. Please refer to note 35 of the Accountants' Report in Appendix I to this prospectus for details of our historical transactions with Chun Wai Engineering Company during the Track Record Period.

### **ASSETS PROTECTION**

Our Group has made substantial investments in machineries and equipment therefore proper storage of such machineries and equipment is important to our business operations. Our machineries and equipment are safely kept at our storage areas. As part of our security measures, our storage areas are secured by the erection of security gates with locks at the point of entry. For our machineries and equipment kept in construction sites, there are security guards for safekeeping after normal working hours. During the Track Record Period and up to the Latest Practicable Date, our Group had two theft incidents with an aggregate loss of approximately HK\$1.2 million. The losses would be partly covered by our insurance policies, our Group did not suffer any material financial loss as a result of our machineries being intentionally damaged or stolen.

### **QUALITY ASSURANCE**

#### **Quality control on projects**

Our Group places strong emphasis on construction site management. Hence, different job duties are assigned to our staff to ensure the quality of our works. Please refer to the paragraph headed "Business — Our operations — Construction stage" in this prospectus for the main responsibilities of each key member in our project team. In particular, the contracts manager and the foreman of each construction site are responsible for monitoring the quality of the works undertaken by our own workforce and our subcontractors.

Nevertheless, our Directors and senior management also closely monitor the quality of works by frequent inspections of the construction sites and the works carried out therein; and regular communications with each of our project teams. Generally, each project team has to report to our Directors and senior management twice a week on (i) progress of the works; (ii) quality of the works; and (iii) costs incurred by the works.

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### **Quality control on construction materials**

With regard to construction materials, unless our customers require us to order them from their designated suppliers, we generally procure construction materials from the list of our pre-approved suppliers with whom we have satisfactory past business relationships for supply of quality construction materials. Please refer to the paragraphs headed “Business — Suppliers — Selection of suppliers” in this prospectus for the details of our pre-approved list of suppliers. Our Group also engages independent experts to perform quality tests on sample materials.

Yee Hop Engineering, our major operating subsidiary, has obtained the accreditation of ISO 9001 since June 2008. The application for ISO 9001 certification was initiated by us to maintain a well-established quality management system for our Group. The major objective for adopting ISO 9001 is to demonstrate our ability to consistently provide quality services to our customers and we aim to enhance customer satisfaction through effective application of the quality management system.

During the Track Record Period and up to the Latest Practicable Date, we had not received any material complaint or request for any kind of compensation from our customers due to or in relation to the quality of the construction materials used by us and the services and works provided by us or by our subcontractors.

### **OCCUPATIONAL HEALTH AND SAFETY**

Our Group is committed to providing our employees and subcontractors with a safe and healthy working environment. We have established a safety and health management and audit system in accordance with the requirements of OHSAS 18001 where Yee Hop Engineering was granted the OHSAS 18001 certification in 2014.

Our safety plan is documented in writing and supplemented with instructions to our employees and subcontractors, trainings for our staff working at the construction sites and demonstrations of safety measures taken by us. As at the Latest Practicable Date, we had employed four qualified safety officers approved by the Labour Department in Hong Kong to monitor and implement our safety plans in different construction sites from time to time. We place strong emphasis on our health and safety measures during the delivery of our services, so we require a strict implementation of our safety plan by our safety officers.

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Our safety plan includes the following areas:

### Safety training

Our Group ensures that adequate safety training is provided for all levels of personnel. As such, we have a suitably structured training plan for managers, supervisors and all personnel working on sites. For example, all site personnel are required to join the basic general safety training where they will familiarise themselves with the overall safety responsibility and possible hazards during their work activities. The basic general induction safety training will be provided to those staff who have not been to the relevant construction site and at an interval of every 12 months in average thereafter.

### Safety and health inspection

Our Group has established and maintained documented procedures for safety inspections and non-scheduled safety tours for identifying and correcting any unsafe conditions and behaviours. For example, our safety officer will conduct safety inspection on a monthly basis and our safety supervisor will conduct safety inspection on a weekly basis. All findings will be recorded in the safety reports accordingly. Any items that require rectification and improvement will be followed up by our site safety supervisor and the site foreman.

Further to our regular site inspection, an internal safety audit will be carried out once every six months in order to provide an in-depth examination of the operation activities of the project.

### Job hazard analysis

The aim of job hazard analysis is to identify the hazard severity, likelihood of harm and the degree of risk involved for all critical work activities for implementing adequate risk control. Risk assessment of each construction site will be carried out by our safety officer on the work activities. References are made to relevant sources such as legislations, codes of practice and guidances to seek and identify the risk. Risk control measures for the risk identified will form part of our safety plan and when necessary, the risk assessment results will be displayed in the site and used as training materials in the training course.

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Personal protection equipment To ensure that our protective equipment and devices such as helmets and eye-masks are properly used by our site personnel, our site safety supervisors will carry out monthly inspection on the use of such protective equipment and devices by site staff. Safety warning notices will be issued to the parties concerned for any irregularities found on site.

Further, our Group's safety department will request suppliers to certify or demonstrate their personal protection equipment and devices to our workers in order to ensure that our workers will conform to our safety standards in using such personal protection equipment.

Evaluation, selection and control of the safety measures taken out by our subcontractors Our Group will take into account past safety performance in the selection of subcontractors. The records released from the Works Bureau in relation to poor safety performance of the contractors or subcontractors will also be taken into consideration. Any reporting of unsafe record by the subcontractors will reduce the chance of being selected by our Group in the future.

Prior to commencement of our construction works, our Group will hold a meeting with individual subcontractor to discuss, among others, the project background, safety policy, method statement of work, risk assessment report, safety arrangements for plants, equipment and tools which would be brought to the site, the protection equipment and devices, safety training, safety rules, appointment of safety representatives and the overall contents of the site safety plan. Such safety policy and procedures will form part of the subcontract conditions and all subcontractors shall comply with our safety requirements at all times. After the completion of a project, the overall performance of the subcontractor in the project will be evaluated by using the standards described in the ISO 9001 as part of the safety performance evaluation.

In addition, under the Safety Management Regulation, any contractor in carrying out construction works with a contract value of HK\$100 million or more or having an aggregate of 100 or more workers in a day working in one or more construction sites is obliged to appoint a registered safety auditor to conduct a safety audit to collect, assess and verify information on the efficiency, effectiveness and reliability of its safety management system at least once in every six months. During the Track Record Period, our Group appointed registered safety auditors to conduct several safety audits on Yee Hop Engineering and Yee Hop Construction and the respective projects undertaken by them as required under the Safety Management

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Regulation. These audits revealed that the safety management system adopted by our Group was in compliance with the requirements under the Safety Management Regulation. Our Directors also confirm that our Group had not been advised or warned by the Labour Department of any non-compliance of Safety Management Regulation during the Track Record Period.

Although our Group has implemented safety plan to mitigate safety risks, the occurrence of accidents at construction sites cannot be completely eliminated due to the work nature in the construction industry. During the Track Record Period and up to the Latest Practicable Date, we recorded accidents involving (i) four, four, five, two and two workers who were employed by our Group; and (ii) two, nil, one, nil and nil workers who were employed by our subcontractors respectively. The following table sets out the nature of the accidents involving the workers employed by our Group and our subcontractors during the Track Record Period and up to the Latest Practicable Date, and all of which had been reported to the Labour Department for accidents occurred in Hong Kong:

Date of the Accident	Nature of the accident	Identity of the injured worker	Capacity of our Group in the accident	Compensation claimed <i>(Note 1)</i>	Insurance coverage	Status as at the Latest Practicable Date
6 April 2012	A worker alleged that his right thumb was injured when he was working at the storage area in Yuen Long, Hong Kong	Our Group's employee	Not applicable (the accident did not occur during the performance of contract works)	An employees' compensation claim of approximately HK\$500,000 was made	100%	The employees' compensation claim was fully settled
2 August 2012	A worker alleged that his right knee was injured when he was working at the foundation and other civil works project in Kowloon City, Hong Kong	Our Subcontractor's employee	Subcontractor	An employees' compensation claim of approximately HK\$216,000 was made	Our Directors confirmed that the insurance cover maintained by the main contractor would be sufficient to cover all our liabilities.	To the best knowledge and belief of our Directors, the employees' compensation claim was fully settled by the main contractor
				A personal injury claim has been filed		Please refer to case (a)2 of the paragraph headed "Litigation and potential claims" in this section for the details of personal injury claim
10 August 2012	A worker alleged that his back was injured when he was working at the tunneling project in Yuen Long, Hong Kong	Our Group's employee	Subcontractor	Nil	Our Directors confirmed that the insurance cover maintained by the main contractor would be sufficient to cover our liabilities.	The Labour Department has issued a letter on 29 January 2013 stating that the plaintiff has requested to withdraw the case



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Date of the Accident	Nature of the accident	Identity of the injured worker	Capacity of our Group in the accident	Compensation claimed (Note 1)	Insurance coverage	Status as at the Latest Practicable Date
30 August 2012	A worker alleged that his ear hearing ability was injured when he was working at the foundation and other civil works project in Kowloon City, Hong Kong	Our Subcontractor's employee	Subcontractor	An employees' compensation claim of approximately HK\$5,800 was made	Our Directors confirmed that the insurance cover maintained by the main contractor would be sufficient to cover all our liabilities.	To the best knowledge and belief of our Directors, the employees' compensation claim was fully settled by the main contractor
10 September 2012	A worker alleged that his arms, limb and back were injured when he was working at the tunneling project in Yuen Long, Hong Kong	Our Group's employee	Main contractor	Nil	100%	The Labour Department has issued a letter on 16 November 2012 stating that the plaintiff has requested to withdraw the case
13 November 2012	A worker alleged that he had suffered from medical illness when he was working at the foundation and other civil works project in Kowloon City, Hong Kong	Our Group's employee	Subcontractor	An employees' compensation claim of HK\$800 was made	100%	The employees' compensation claim was fully settled
16 May 2013	A worker alleged that his left knee was injured when he was working at the foundation and other civil works project in Kowloon Tong, Hong Kong	Our Group's employee	Subcontractor	An advance payment/ employees' compensation claim of approximately HK\$412,000 was made	Our Directors confirmed that the insurance cover maintained by the main contractor would be sufficient to cover all our liabilities.	The worker has already received the advance payment/employees' compensation claim
				A personal injury claim of approximately HK\$557,000 (plus interest) was claimed by the injured worker		Please refer to case (a)3 of the paragraph headed "Litigation and potential claims" in this section for the details of personal injury claim

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Date of the Accident	Nature of the accident	Identity of the injured worker	Capacity of our Group in the accident	Compensation claimed (Note 1)	Insurance coverage	Status as at the Latest Practicable Date
13 August 2013	A worker alleged that his left foot was injured when he was working at our storage area in Sheung Shui, Hong Kong	Our Group's employee	Not applicable (the accident did not occur during the performance of contract works)	An employees' compensation claim of approximately HK\$475,000 was made	100%	The employees' compensation claim was fully settled
11 October 2013	A worker alleged that his left wrist was injured when he was working at the foundation and other civil works project in Kowloon City, Hong Kong	Our Group's employee	Subcontractor	An employees' compensation claim of approximately HK\$501,000 was made  A personal injury claim is intended to be made	Our Directors confirmed that the insurance cover maintained by the main contractor would be sufficient to cover all our liabilities.	The employees' compensation claim was fully settled  Please refer to case (a)4 of the paragraph headed "Litigation and potential claims" in this section for the details of personal injury claim
15 March 2014	A worker alleged that his left little finger was lacerated when he was working at the tunneling works project in Lai Chi Kok, Hong Kong	Our Group's employee	Main contractor	An employees' compensation claim was intended to be made	The amount covered by the insurance policy maintained by our Group is HK\$200 million. <sup>(2)</sup>	The incident was reported to the insurer  The injured worker is legally aided and intended to file an application to court to claim employees' compensation
21 August 2014	A worker alleged that his right hand was injured when he was working at the tunneling works project in Lai Chi Kok, Hong Kong	Our Group's employee	Main contractor	An employees' compensation claim of approximately HK\$172,000 was made	100%	The employees' compensation claim was fully settled
5 November 2014	A worker alleged that he suffered a rib fracture when he was working at the foundation and other civil works project in Kowloon Bay, Hong Kong	Our Group's employee	Main contractor	An employees' compensation claim of approximately HK\$81,000 was made	100%	The employees' compensation claim was fully settled

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Date of the Accident	Nature of the accident	Identity of the injured worker	Capacity of our Group in the accident	Compensation claimed (Note 1)	Insurance coverage	Status as at the Latest Practicable Date
2 December 2014	A worker alleged that his right ring finger was injured when he was working at the tunneling works project in Jordan, Hong Kong	Our Group's employee	Main contractor	An employees' compensation claim of approximately HK\$163,000 was made	100%	The employees' compensation claim was fully settled
24 December 2014	A worker alleged that his left knee was injured when he was working at the foundation and other civil works project in Yuen Long, Hong Kong	Our Group's employee	Main contractor	Pending	The amount covered by the insurance policy maintained by our Group is HK\$200 million. <sup>(2)</sup>	The incident was reported to the insurer
5 January 2015	A worker alleged that he was suffered from acute pelvic inflammatory disease when he was working at the foundation and other civil works project in Aberdeen, Hong Kong	Our Group's employee	Subcontractor	Pending	Our Directors confirmed that the insurance cover maintained by the main contractor would be sufficient to cover all our liabilities.	Please refer to case (a)7 of the paragraph headed "Litigation and potential claims" in this section for the details of the employees' compensation claim
10 March 2015	A worker alleged that his leg was injured when he was working at the foundation and other civil works project in Tuen Mun, Hong Kong	Our subcontractor's employee	Main contractor	Pending	The amount covered by the insurance policy maintained by our Group is HK\$200 million. <sup>(2)</sup>	A Notice by Employer or of an Accident to an Employee Resulting in Death or Incapacity (Form 2) was filed with the Labour Department
16 June 2015	A work alleged that his right ankle was injured when he was working at the tunneling project in Yuen Long, Hong Kong	Our Group's employee	Main contractor	Pending	The amount covered by the insurance policy maintained by our Group is HK\$200 million. <sup>(2)</sup>	A Notice by Employer or of an Accident to an Employee Resulting in Death or Incapacity (Form 2) was filed with the Labour Department
8 July 2015	A worker alleged that his neck and chest were injured when he was relocating materials in San Tin for a foundation and other civil works project in Kwun Tong.	Our Group's employee	Main contractor	Pending	Our Directors confirm that the insurance cover maintained by the property developer in accordance with the contract would be sufficient to cover all our liabilities.	A Notice by Employer or of an Accident to an Employee Resulting in Death or Incapacity (Form 2) was filed with the Labour Department

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Date of the Accident	Nature of the accident	Identity of the injured worker	Capacity of our Group in the accident	Compensation claimed <i>(Note 1)</i>	Insurance coverage	Status as at the Latest Practicable Date
3 August 2015	A worker alleged that his head and neck were injured when he was working at the tunneling project in Kowloon City, Hong Kong.	Our Group's employee	Subcontractor	Pending	Our Directors confirmed that the insurance cover maintained by the main contractor would be sufficient to cover all our liabilities.	A Notice by Employer or of an Accident to an Employee Resulting in Death or Incapacity (Form 2) was filed with the Labour Department
21 September 2015	A worker alleged that his right foot was injured when he was working at the tunneling works project in Jordan, Hong Kong.	Our Group's employee	Main contractor	Pending	The amount covered by the insurance policy maintained by our Group in HK\$200 million. <sup>(2)</sup>	A Notice by Employer or of an Accident to an Employee Resulting in Death or Incapacity (Form 2) was filed with the Labour Department

*Notes:*

- (1) As at the Latest Practicable Date, three claims arising from personal injury under common law in Hong Kong have been made against our Group in relation to the accidents as set out in this table.
- (2) Our Directors confirm that such claims or potential claims would be covered by our insurance policies and believe that we would not need to incur any unforeseeable additional material expenses associated with such claims or potential claims.

All the above claims for accidents happened in Hong Kong were made against us pursuant to the Employees' Compensation Ordinance or common law. With respect to injuries where the injured workers have only made an employees' compensation claim, the compensation paid to the injured workers under the Employees' Compensation Ordinance would not exempt our liabilities under common law. Pursuant to the Limitation Ordinance (Chapter 347 of the Laws of Hong Kong), the limitation period for making a claim for personal injury under common law is three years from the date of the relevant accident. Hence, save for the injured worker of the accident happened on 6 April 2012, 10 August 2012, 30 August 2012 and 10 September 2012, the limitation period for the above-mentioned injured workers against us had not yet expired as at the Latest Practicable Date. As such, it is still possible for the injured worker to institute claims against us under common law. On the other hand, the compensation paid to such injured worker, if any, would be reduced and off-set by the compensation already paid to the worker under the Employees' Compensation Ordinance. With respect to claims filed against us under common law, (i) the injured worker in the accident happened on 2 August 2012 had filed a personal injury claim against us; (ii) the injured worker in the accidents that happened on 16 May 2013 had filed a claim for damages against us in the sum of approximately HK\$557,000 plus interest under common law; and (iii) the injured worker in the accident happened on 11 October 2013 had indicated that he intended to file a claim against us for damages under common law.

Despite the above, our liabilities for causing injuries to our employees or the employees of our subcontractors in Hong Kong would be sufficiently covered by the insurance maintained either by the main contractor of the relevant project or by our Group when we act as the main contractor, whether the claims are made under the Employees' Compensation Ordinance and/or at common law in Hong Kong.

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In the event of any industrial accidents resulting in injury to any person, or damage to any properties, machineries or equipment, our safety supervisor designated to the construction site will immediately report the accident to our site agent and our safety officer. Our site agent and safety officer will then carry out an accident investigation. The accident investigation procedures cover investigations on the background information of the work place, the injured worker's information, the properties, machineries or equipment which had been damaged as well as the circumstance, the causes of the accident, the events leading up to the accident, the conclusions and the recommendations made by the safety officer. Depending on the nature of the accident, the safety supervisor and the safety officer of our Group will complete and submit necessary form(s) to Labour Department accordingly, then they will initiate the follow-up actions, including making recommendations and monitoring the implementation of safety measures for preventing recurrence of the industrial accident. The details of the follow up actions will be devised by a site safety committee meeting and will be circulated to the workers through ad hoc training after the occurrence of the accident.

Furthermore, our Group adopted the following enhanced safety measures to prevent future accidents and protect the employees of our Group and subcontractors:

- (1) arranging annual safety conference for staff of all levels to enhance their knowledge on site safety;
- (2) providing safety incentive payment to in-house site staff to encourage their good safety attitude when working on site;
- (3) participating in safety competitions organised by different public authorities in order to develop the overall work place safety culture within our Group;
- (4) conducting additional independent safety audit to ensure the full implementation of our Group's safety policy;
- (5) establishing the induction scheme to ensure the new construction worker are equipped with adequate knowledge with regards to safety and their work and/or relevant risk and hazard on work site;
- (6) providing sponsorship for our employees to attend seminars and training sessions with respect to safety and skills development; and
- (7) increasing the number of in-house registered safety officers from two persons to four persons since early 2015 in order to strengthen the safety supervision and on-site training.

Our Directors are of the view that there are no material deficiencies in the adequacy and effectiveness of our Group's safety measures.

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The table comparing the construction industry average accident and fatality rate against our Group on the basis of accident rate per 1,000 workers and fatality rate per 1,000 workers is set out below:

	<b>In construction industry (Note 1)</b>	<b>Our Group's construction sites (Note 2)</b>
<b>Calendar year 2012</b>		
accident rate per 1,000 workers	44.3	2.0
fatality rate per 1,000 workers	0.337	–
<b>Calendar year 2013</b>		
accident rate per 1,000 workers	40.8	1.2
fatality rate per 1,000 workers	0.277	–
<b>Calendar year 2014</b>		
accident rate per 1,000 workers	41.9	1.4
fatality rate per 1,000 workers	0.242	–
<b>Calendar year 2015 (up to 31 October 2015)</b>		
accident rate per 1,000 workers	N/A (Note 3)	1.6
fatality rate per 1,000 workers	N/A (Note 3)	–

*Note 1:* Figures based on Occupational Safety and Health Statistics Bulletin No. 15 (August 2015) published by Occupational Safety and Health Branch of Labour Department, which the accident rate is calculated as the occurrence of industrial accidents during the year divided by the employment size which are based on the Quarterly Report of Employment and Vacancies Statistics published by the Census and Statistics Department.

*Note 2:* Our Group's accident rate is calculated as the occurrence of industrial accidents during the year/period divided by the daily average construction site workers (including both employees of our Group and subcontractors) in our construction sites during the year/period.

*Note 3:* Relevant data has not been published as at the Latest Practicable Date.

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

For the year ended 31 March 2013	844
For the year ended 31 March 2014	904
For the year ended 31 March 2015	1,373
For the four months ended 31 July 2015	1,177
For the seven months ended 31 October 2015	1,180

*Notes:*

- (1) LTIFR is a frequency rate that shows the amount of lost time injuries occurred over a specified time (e.g. per 1,000,000 hours) worked in a period. The LTIFRs shown above are calculated by multiplying the number of lost time injuries in terms of loss days of our Group that occurred during the relevant financial year by 1,000,000 and then divided by the number of hours worked by our construction site workers over the same financial year/period. Assuming that the working hour of each worker is 10 hours per day, the number of working days for each of the three years ended 31 March 2015, the four months ended 31 July 2015 and the seven months ended 31 October 2015 were approximately 300 days, 300 days, 301 days, 102 days and 178 days respectively.
- (2) Our Directors confirm that there is no public information in relation to the average LTIFRs of the construction industry in Hong Kong.

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Our Directors believe that the increase in the LTIFR of our Group during the Track Record Period and up to 31 October 2015 was primarily due to the following reasons:

- (i) Our lost time injuries were determined based on the relevant medical certificates received by our Group, as such the sick leave period granted to the injured workers may affect the LTIFR, especially when the sick leave period crosses the year. In particular, there were three accidents during the Track Record Period pursuant to which the injured workers were granted a relative long sick leave period. The injured workers of the accidents on 13 August 2013 and 15 March 2014 were respectively granted a sick leave period, which commenced from the date of accident to June 2015 and May 2015 while the injured worker of the accident on 24 December 2014 was granted a sick leave period which commenced from the date of accident and is still ongoing as at the Latest Practicable Date. Although both accidents took place in an earlier time, the subsequent lost time injuries accounted for the LTIFR in (a) the years ended 31 March 2014 and 2015; and (b) the four months ended 31 July 2015 and the seven months ended 31 October 2015.
- (ii) The current LTIFR for the seven months ended 31 October 2015 does not represent the final LTIFR for the entire year ending 31 March 2016, as all the relevant figures were calculated up to 31 October 2015 only. As a result, the final LTIFR for the year ending 31 March 2016 would vary.

In consideration of our relatively stable accident rates during Track Record Period and up to 31 October 2015, our Directors believe that our Group does not have any material safety issue. In any event, our Directors believe that our Group's effort on adopting enhanced safety measures will prevent future accidents.

Based on the above information, our Directors believe that the accident rates at the construction sites of our Group during the Track Record Period were lower than the industry average. Furthermore, during the Track Record Period, our Group recorded no fatal injuries at our construction sites. Our Directors confirm that during the Track Record Period, our Group had fully complied with relevant laws, rules and regulations relating to the provision of health and safety environment to the workers working at the construction sites and that our Group had not been subject to any investigations or received any official complaints or sanctions by any relevant authorities, in respect of any breach of applicable laws or regulations in respect of health and safety. Our Group will continue to deploy adequate resources and make an effort to maintain and enhance our safety management policy in order to mitigate our risks related to safety issues.

## ENVIRONMENTAL COMPLIANCE

Our Group is committed to environment protection by conducting our business in an environmentally responsible manner. We aim to prevent pollutions, reduce waste and enhance waste recycling from our operation through implementing an environmental management system, which would comply with ISO 14001 requirements. Yee Hop Engineering was granted the ISO 14001 certification in 2012.

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During the Track Record Period, the aggregate annual costs incurred by our Group for compliance with applicable environmental laws and regulations in Hong Kong was approximately HK\$0.2 million, HK\$1.2 million, HK\$1.4 million and HK\$1.6 million respectively, and was mainly attributable to the levy imposed by the Government on waste disposal required under applicable laws and regulations. During the Track Record Period, our Group had not been prosecuted by any governmental authority for breaching any applicable environmental laws and regulations relating to environmental protection.

### **INSURANCE**

During the Track Record Period, we maintained the insurance policies which set out in the following paragraphs.

It is a common practice in the construction industry in Hong Kong, as well as a common term in most construction contracts between main contractors and customers, that the main contractor of a project shall take out and maintain employees' compensation insurance under the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) and contractors' all risks insurance for the entire project. The coverage of such insurance policies includes all works performed by the main contractor and all its subcontractors. As a result, when we act as a subcontractor, we generally do not have to take out or maintain any insurance policies related to employee compensation and contractors' all risks arising in relation to the project and instead, we can rely on the insurance policies taken out and maintained by the relevant main contractor. In such case, there is always an explicit clause providing such reliance in the relevant subcontracts.

#### **Employees' compensation**

Pursuant to section 40 of the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), all employers 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). We have taken out insurance policies in accordance with such requirements.

According to section 24 of the Employees' Compensation Ordinance, we are liable to pay compensation to any injured employee of our subcontractors, who is was injured in the course of his/her employment to our subcontractors in carrying out the subcontract works for us. Such liabilities are covered by the aforementioned insurance policies taken out by us or our main contractor, as the case may be. In addition, under section 24 of the Employees' Compensation Ordinance, we are, nonetheless, entitled to be indemnified by the subcontractor who, as the actual employer of the injured employee, would have been liable to pay compensation to the injured employee.

#### **Contractors' all risks insurance**

Contractors' all risk insurance policies generally cover potential loss, damage or destruction to the buildings, structures and any other constructions under our construction works as well as potential bodily injury to third parties or damage to third parties' properties as a result of the performance of our construction works.



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### Other insurance coverage

In addition, we have also maintained the insurance coverage against, among other matters, (i) the loss, destruction or damage to our owned machineries and equipment (including the machineries and equipment under finance lease); (ii) general office risks including loss or damage to our office contents and any bodily injury occurring in our office premises; and (iii) loss or damage to our motor vehicles and third-party liability in relation to the use of our motor vehicles.

Our Directors consider that our insurance coverage is adequate and consistent with industry norm regarding our current scope of operations.

### MARKET AND COMPETITION

According to the Ipsos Report, construction industry has been a main driver of Hong Kong's economic growth since the 1970s. The construction industry accounted for about 3.2% to 4.0% of the total gross domestic product (GDP) in Hong Kong from 2009 to 2013. The demand for infrastructure, residential and commercial development is expected to maintain the growth of the construction industry in Hong Kong. In 2014, the total gross output value of construction works performed by main contractors and subcontractors at construction sites in Hong Kong was approximately HK\$154.4 billion, of which approximately 21.3% was the gross output value of construction works performed by subcontractors. Our Group contributed approximately 0.3% of the total revenue of foundation and civil engineering sector and approximately 0.6% of the total revenue in the tunneling sector in Hong Kong in 2014. For further details on the overall construction industry in Hong Kong as well as the segments of foundation and other civil and tunneling works, including the maturity and size, market trends and prospects, please refer to the section headed "Industry Overview" in this prospectus.

Our Directors consider that there are a number of market entry barriers to the construction industry (in particular, the two business segments of our Group) in Hong Kong, which hinder new player entries. Such entry barriers mainly include (i) huge capital investment; (ii) insufficient industrial experience of new players; and (iii) lack of reputation and credibility of new players. Details of the entry barriers are set out in the paragraph headed "Industry overview — Entry barriers to the foundation, civil engineering and tunneling sectors in Hong Kong" in this prospectus.

Our Directors believe that our competitive strengths will enable us to maintain our position as one of the active market players in our business segments in the construction industry in Hong Kong. Our competitive strengths in this respect include the following:

- our possession of a wide range of machineries and equipment;
- our long operation history and our experienced management;
- our experienced and professional project management teams and operators of machineries; and
- our well established reputation with a proven track record.

Details of our Group's competitive strengths are set out in the section headed "Business — Competitive strengths" in this prospectus.

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### SEASONALITY

Our Directors believe that the construction industry in which we operate does not exhibit any significant seasonality.

### LICENCES AND PERMITS

In order to undertake foundation works or civil engineering works (other than the projects for any Government departments) as a main contractor, the contractor must be registered with the Buildings Department as a registered general building contractor or a registered specialist contractor under the corresponding category as categorised by the Buildings Department, unless the main contractor subcontracts those works to an appropriate registered contractor who is duly registered with the Buildings Department.

In order to undertake foundation works for any Government departments, in addition to the registration with the Buildings Department as a registered specialist contractor under the corresponding category, the contractor must be registered with the Development Bureau as an approved contractor for the foundation works. With respect to the undertaking of other civil engineering works such as port works, roads and drainage, site formation and waterworks projects for any Government departments, the contractor must be registered with the Development Bureau as an approved contractor under the corresponding category.

There are currently no specific licences for contractors carrying out tunneling works in the public or private sector. For further details of the above, please refer to the paragraph headed “Laws and regulations — Laws and regulations in relation to the contractor licensing regime” in this prospectus.

During the Track Record Period, all of our construction contracts with our customers as a main contractor were entered into by Yee Hop Engineering. Yee Hop Engineering has obtained the above mentioned registrations, details of which are as follows:

Registration	Category	Granted by	Granted to	Date of registration	Date of next renewal	Authorised contract value
List of Approved Contractors for Public Works	Waterworks (Group BP)	Development Bureau	Yee Hop Engineering	November 2005	N/A	up to HK\$185 million
List of Approved Contractors for Public Works	Site Formation (Group BP)	Development Bureau	Yee Hop Engineering	June 2006	N/A	up to HK\$185 million
Register of General Building Contractors	Not applicable	Buildings Department	Yee Hop Engineering	May 2008	May 2017	Not applicable

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Registration	Category	Granted by	Granted to	Date of registration	Date of next renewal	Authorised contract value
List of Approved Contractors for Public Works	Roads and Drainage (Group CP)	Development Bureau	Yee Hop Engineering	December 2009	N/A	exceeding HK\$185 million
Register of Specialist Contractors	Foundation works	Buildings Department	Yee Hop Engineering	July 2011	August 2017	Not applicable
List of Approved Supplier of Materials and Specialist Contractor for Public Works	Land Piling (Group II) – Mini-pile – Rock-socketed Steel H-Pile in Pre-bored Hole – Steel H Pile	Development Bureau	Yee Hop Engineering	July 2013	N/A	unlimited value
List of Approved Contractors for Public Works	Port Works (Group B)	Development Bureau	Yee Hop Engineering	April 2014	N/A	up to HK\$185 million

Renewal of some of the aforementioned registrations is required every three years. As we had not experienced any refusal of renewal of any licences necessary for our business during the Track Record Period and up to the Latest Practicable Date, our Directors believe that we should not encounter any difficulties in obtaining the renewal of any licences in the future.

In order for Yee Hop Engineering to maintain the aforementioned registrations as a Registered General Building Contractor and a Registered Specialist Contractor in the foundation works category with the Buildings Department, Yee Hop Engineering, pursuant to the PNRC 38, must have at least one “technical director” to carry out certain duties including, among others, providing technical support for the execution of works and ensuring that the works are carried out in accordance with the requirements under Buildings Ordinance. The Buildings Department imposes specific requirements on the qualifications and experience of such technical director. For further details of the above, please refer to the paragraph headed “Laws and regulations – Laws and regulations in relation to the contractor licensing regime” in this prospectus.

As at the Latest Practicable Date, Mr. Leung Hung Kwong Derrick was the only technical director in respect of our registrations as a Registered General Building Contractor and a Registered Specialist Contractor in the foundation works category of Yee Hop Engineering. Nevertheless, our Directors consider that we are not overly reliant on Mr. Leung Hung Kwong Derrick in this regard due to the following reasons:

- (i) in the event that Mr. Leung Hung Kwong Derrick ceases to act as a technical director for Yee Hop Engineering, our Directors believe that one of the senior management of our Group, namely Mr. Chui Heung Wing, can be an acceptable

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replacement to maintain the relevant licenses of Yee Hop Engineering in terms of his academic qualifications and working experience. As at the Latest Practicable Date, Mr. Chui Heung Wing was qualified to act as a technical director once he is appointed as the director of Yee Hop Engineering, which is a prerequisite condition for a technical director. For details of his biographical information, please refer to the paragraph headed “Directors, senior management and employees — Senior Management — Mr. Chui Heung Wing” in this prospectus;

- (ii) in the event that Mr. Leung Hung Kwong Derrick ceases to act as a technical director for Yee Hop Engineering and Mr. Chui Heung Wing refuses to be appointed as a director of Yee Hop Engineering, our construction works in the capacity as a Registered General Building Contractor and a Registered Specialist Contractor would not be suspended if we could appoint an acceptable replacement within a reasonable period of time. While the Buildings Department does not provide any definition on “reasonable period of time”, to the best knowledge and belief of our Directors, a period of approximately three to six months is generally allowed by the Buildings Department, during which we are allowed to appoint acceptable replacement to maintain the relevant license; and
- (iii) under the service agreement of Mr. Leung Hung Kwong Derrick with our Company, Mr. Leung Hung Kwong Derrick is required to give not less than six months’ prior written notice to our Group to terminate his employment with us, which provides us with the sufficient time to appoint an acceptable replacement. Our Directors further confirm that for any future service agreement of directors who are intended to be the technical director, the same requirement will be adopted.

When we undertake any subcontracting works for construction projects, if the main contractors hold all the required registration for the said project, we are not required to hold the same registration as the main contractor. However, in order to build up a pool of capable and responsible subcontractors with specialised skills and strong professional ethics, the Construction Industry Council has introduced a registration scheme for subcontractors taking part in building and engineering works. The Airport Authority, Development Bureau, Housing Authority and some private organizations are in support of the scheme. As a result, for their projects, main contractors will be required to engage registered subcontractors for carrying out their subcontract works. By doing so, the relevant main contractor will be granted credits in the selection process. To enhance the recognition as an active partner in the construction industry, all of our Group’s operating subsidiaries have been registered with the Construction Industry Council under the scheme.

Our Directors, upon obtaining legal advice, confirm that during the Track Record Period and up to the Latest Practicable Date, our Group had obtained and held all the approvals, permits, consents, licences and registrations required for our business and operations in Hong Kong, and that all of them remain in force.

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Though we undertook one foundation and other civil works project involving site formation works in private sector during the Track Record Period, we had not been registered with the Buildings Department as a registered specialist contractor in site formation works category. Hence, we engaged a subcontractor who was duly registered with the Buildings Department as a registered specialist contractor in site formation works category to supervise the carrying out of the site formation works.

### MAJOR CERTIFICATIONS

The following table sets out our major certifications:

Nature	Certification	Scope	Holder	Year of grant
Environmental management system accreditation	ISO14001:2004	– construction of civil engineering works (site formation, roads and drainage, water works and port works)	Yee Hop Engineering	2012
		– design and construction of rock socketed steel H-pile in pre-bored hole, Steel H-pile, steel tubular pile and mini pile works		
		– design and construction of trenchless (no-dig) works		
Occupational health & safety management system accreditation	OHSAS 18001:2007	– provision of construction of civil engineering works (site formation, roads and drainage, water works and port works)	Yee Hop Engineering	2014
		– design and construction of rock socketed steel H-pile in pre-bored hole, Steel H-pile, steel tubular pile and mini pile works		
		– design and construction of trenchless (no-dig) works		

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Nature	Certification	Scope	Holder	Year of grant
Quality management system accreditation	ISO9001:2008	– construction of civil engineering works (site formation, roads and drainage, water works and port works)	Yee Hop Engineering	2008
		– design and construction of H-piling and mini piling works		
		– design and construction of trenchless (no-dig) works		
Energy management system accreditation	ISO 50001:2011	– design and construction of rock socketed steel H-pile in pre-bored hole, Steel H-pile, steel tubular pile and mini-pile works	Yee Hop Engineering	2015
		– design and construction of trenchless (no-dig) works		

Each of ISO 9001, ISO 14001, ISO 50001 and OHSAS 18001 certification currently carry a duration of three years, within which period surveillance audit is conducted by the certification body every year to review the implementation of the relevant systems for compliance. After this three year period, each of the ISO 9001, ISO 14001, ISO 50001 and OHSAS 18001 certification are to be further certified subject to successful implementation of a renewal audit by the certification body.

### Recognitions and Awards

The following table sets out our major non-recurring awards and recognitions obtained by us during the Track Record Period and up to the Latest Practicable Date:

Year of award	Nature	Recipient	Award	Awarding organisation or authority
2015	Safety, health and environment	Yee Hop Engineering	21st Considerate Contractors Site Award Scheme Bronze Award in the Non-Public Works — New Works category	Development Bureau and Construction Industry Council

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<b>Year of award</b>	<b>Nature</b>	<b>Recipient</b>	<b>Award</b>	<b>Awarding organisation or authority</b>
2015	Safety, health and environment	Yee Hop Engineering	Construction Industry Safety Award Scheme 2014/2015 Bronze Prize in the Civil Engineering Sites — Subcontractors category	Labour Department, the Occupational Safety and Health Council and various organisations from the Government and the construction industry
2015	Safety	Yee Hop Engineering	Certificate of Appreciation — Strong Support and Outstanding Performance in the Safety Observation Program	CLP Power Hong Kong Limited
2015	Caring for the community, employees and environment	Yee Hop Engineering	Caring Company	The Hong Kong Council of Social Service
2014	Safety	Yee Hop Engineering	HKCA Safety Merit Award for the year 2013	Hong Kong Construction Association
2014	Safety, health and environment	Yee Hop Engineering	20th Considerate Contractors Site Award Scheme Merit Award in the Non-Public Works — New Works category	Development Bureau and Construction Industry Council
2013	Safety, health and environment	Yee Hop Engineering	Considerate Contractors Site Award Scheme 2012 (i) Merit Award in the New Works category (ii) Model Subcontractor Awards	Development Bureau and Construction Industry Council
2013	Safety	Yee Hop Engineering	Construction Industry Safety Award Scheme 2012/2013 Bronze Prize in the Building Sites — Subcontractors category	Labour Department, the Occupational Safety and Health Council and various organisations from the Government and the construction industry
2013	Safety	Yee Hop Engineering	HKCA Safety Merit Award for the year 2012	Hong Kong Construction Association
2012	Safety	Yee Hop Engineering	HKCA Safety Merit Award for the year 2011	Hong Kong Construction Association

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Year of award	Nature	Recipient	Award	Awarding organisation or authority
2012	Safety, health and environment	Yee Hop Engineering	Safety Award Certificate of Appreciation for Safety, Health and Environmental Performance Achiever Award	Hong Kong Electric Co., Ltd.
2012	Safety, health and environment	Yee Hop Engineering	Considerate Contractors Site Award Scheme 2011 Model Subcontractor Award	Development Bureau and Construction Industry Council

## EMPLOYEES

### Number of employees

	<b>As at the Latest Practicable Date</b>
Directors (of our Group)	7
Project management (including project managers, foremen and safety supervisors)	54
Administration, accounting and finance	17
Technical personnel	48
Machinery operators and direct workers	231
Total	357

### Relationship with staff

Our Directors consider that we have maintained good relationships with our employees. We had not experienced any significant problems with our employees or any disruptions to our operations due to labour disputes nor had we experienced any difficulties in the recruitment or retention of experienced staff or skilled personnel during the Track Record Period and up to the Latest Practicable Date.

### Training and recruitment policies

We generally recruit our employees from the open market. We place recruitment advertisements and participate in job fairs for recruitment purpose.

We are committed to providing a safe and healthy workplace for our staff, so we arrange an annual safety conference for staff of all levels to enhance their knowledge on site safety, incentivise them in maintaining site safety by in-house safety awards and maintaining a good working atmosphere among the staffs.



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Furthermore, to ensure the continuity of services of our professional staff, our Group intends to launch a project manager training programme to develop potential staffs who can be promoted to a managerial grade.

We intend to use our best effort to attract and retain appropriate and suitable personnel to serve our Group. We assess our employees on a continuing basis and will determine whether additional human resources are required to cope with the business development of our Group.

### Remuneration policy

The remuneration package of our Group offers to our employees includes salary, bonuses, other cash subsidies and allowances. In general, we determine employee salaries based on each employee's qualifications, experience and capability and the market remuneration rate. Our Group has designed an annual review system to assess the performance of our employees, which forms the basis of our decisions with respect to salary adjustments, bonuses and promotions. For some in-house site staff, our Group employs them as daily workers and their remuneration package includes salary and overtime allowances. Our employee remuneration expense and our Directors' emoluments (including salaries, other benefits and retirement benefit costs) amounted to approximately HK\$93.7 million, HK\$98.7 million, HK\$124.7 million and HK\$49.5 million for the three years ended 31 March 2013, 2014, 2015 and the four months ended 31 July 2015 respectively.

### RESEARCH AND DEVELOPMENT

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

### INTELLECTUAL PROPERTY

#### Trademarks

As at the Latest Practicable Date, our Group had registered the following trademarks in Hong Kong which we believe they are material to our business:

Trademark	Registered owner	Date of registration	Expiry date	Place of registration	Registration number	Class (Note)
A 	Yee Hop Engineering	12 December 2014	11 December 2024	Hong Kong	303233565	35, 37 & 42
B 						
A 	Yee Hop Engineering	12 December 2014	11 December 2024	Hong Kong	303233574	35, 37 & 42
B 						

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*Note:*

class 35 — demographic consultation and research services; project management services in the fields of architecture, interior design, urban planning; engineering.

class 37 — building construction supervision; building site formation and foundation work services; building construction services; building maintenance and repair; building reinforcement services; building restoration; construction and construction management of residential, commercial and industrial buildings; construction and renovation of building; construction consultancy services; construction management services; construction planning and construction supervision services; consultation in building construction supervision; road construction; street construction; steel structure constructions works; pipeline construction services; technical consultation in the field of building materials of cement materials, stone materials, asphalts and aggregates.

class 42 — architectural and engineering services; civil engineering services; construction drafting services; construction grading services; consultation in the field of structural engineering; design in the field of engineering; design of tunnels and underground structures; engineering services for building and property condition assessment; buildings monitoring and environmental risk consultation services; land surveying services; providing quality assurance services in the field of engineering; structural engineering design services; survey design and research services; technical survey services.

### Domain name

As at the Latest Practicable Date, our Group is the owner of the following domain name(s) which are considered by our Directors, is/are material to the business of our Group:

<b>Registrant</b>	<b>Domain name</b>	<b>Registration date</b>	<b>Expiry date</b>
Yee Hop Engineering	YEE-HOP.COM.HK	6 October 2004	8 October 2017

Save as the above, as at the Latest Practicable Date, we did not have any material intellectual property rights (whether registered or pending registrations) that are significant to our business operations or financial positions. As at the Latest Practicable Date, we had not engaged in, and were not aware of, any litigation or legal proceedings for the violation of intellectual property rights or any material violation.

### PROPERTIES

We do not own any real property and lease all of the premises occupied by us. As at the Latest Practicable Date, we had five leased properties located in Hong Kong and one of which is occupied by us as our office, two of these properties are leased by our Group for storage of machinery and equipment and two of these properties are leased for site office and resting facilities for site workers.

In connection with the two leased properties for storage of machinery and equipment purposes in San Tin and Sheung Shui, the Leasing Landlords could not provide us with the relevant written power of attorney to evidence that they were authorised to enter into the relevant tenancy agreements and lease the said leased properties to us on behalf of the landlords named in the land search results of the respective lands. For details, please refer to the paragraph “Risk Factors — Our legal right to lease two parcels of lands for storage areas in San Tin and Sheung Shui could be challenged by the registered owners thereof” in this prospectus.

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In connection with the two leased properties for site office and resting facilities for site workers in Sai Wan and San Po Kong, they were, and still are, subject to mortgage. The relevant consent of the mortgagee for the grant of tenancy in relation to each of the said leased properties have not been obtained. For details, please refer to the paragraph “Risk Factors – Our leased properties’ lack of mortgagee’s consent” in this prospectus.

The Controlling Shareholders have entered into a deed of indemnity to indemnify the Group for all relocation costs, loss of profit and business, penalties and fines and all losses and damages which may be suffered by our Group as a result of any relocation due to the (i) Leasing Landlords not providing us with the relevant written power of attorney; and (ii) non-obtaining of the mortgagees’ consents.

The leased property occupied by us as our office is leased from connected persons of our Group, the details of which are set out under the section headed “Connected Transactions” in this prospectus.

### REGULATORY COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we did not have any non-compliance incident which is either a material impact non-compliance or systemic non-compliance in accordance with the interpretation of the Stock Exchange’s guidance letter HKEx-GL 63-13 as considered by the Directors.

### INTERNAL CONTROL

To streamline the current internal control procedures, we engaged an independent Internal Control Consultant in October 2014 to review the adequacy and effectiveness of our internal control procedures, systems and controls. The internal control consultant is a professional firm specialising in providing corporate governance, internal audit and internal control review services to new listing applicants and listed companies since 2007.

The objective of the internal control review is to assess and identify significant weakness in relevant procedures, systems and controls as established by our Group. A detailed evaluation was done by our Internal Control Consultant. Through an initial review during November 2014, our Internal Control Consultant identified some weaknesses and deficiencies in our internal control system and recommended certain measures to be implemented. Based on such recommendations, we implemented remedial measures on the areas including staff management, budget and risk management, information and communication system and internal audit functions to improve our internal control system.

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The Internal Control Consultant has identified the following key findings and our Group has taken the following remedial actions based upon the Internal Control Consultant's recommendations:

### **Key findings**

### **Remedial actions taken**

#### *Declaration of conflict of interest*

Employees, senior management and Directors, including chief financial officer were not required to declare periodically whether they had conflict of interests to our Group. Our Group did not have written mechanism to govern staff's declaration on potential conflict of interests.

Our Group has established a conflict of interest policy requiring Directors and the chief financial officer to provide written declaration on potential conflict of interests on an annual basis. Further, our Group's conflict of interest policy provides a written reporting mechanism for conflict of interests for the staff to follow.

#### *Code of conduct and employee handbook*

Our Group did not have a formal employee handbook and code of conduct.

Our Group has established an employee handbook with the code of conduct written within. It has been circulated to all staff and reviewed by the management on a regular basis.

#### *Financial close and reporting processes*

Our Group relied on manual controls when segregating accounting duties. The rights for preparing and approving journal vouchers were not clearly segregated in our Group's accounting system.

Our Group fully utilises the accounting system and the function of preparing, approving and posting of journal voucher has been properly segregated in the accounting system.

#### *Subcontracting management*

Annual subcontractor evaluation was conducted by our Group. However, no documentation was retained for the evaluation.

Evaluation form for subcontractor is prepared to record the performance evaluation.

#### *Policies and procedures*

Our Group did not have written policies and procedures related to the compliance procedures on Listing Rules.

Policies and procedures have been established to cater the compliance procedures of the Listing Rules.

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Further, an on-going process for identifying, evaluating and managing the significant risk and potential risks faced by our Group has been set up for our Board and our project management team to follow.

### *Internal control measures to improve corporate governance*

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

1. On 23 June 2015, our Directors attended training sessions conducted by our legal advisor 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. We have engaged Ping An of China Capital as our compliance advisor upon Listing to advise us on regulatory compliance with the Listing Rules.
3. When necessary, we will engage external professional, including auditors, internal control consultant, external legal advisor(s) and other advisors to render professional advice as to compliance with statutory and regulatory requirements, as applicable to our Group from time to time.
4. Our Group has appointed Mr. Wu Tai Cheung, as the company secretary, to handle the secretarial matters and day-to-day compliance matters of our Group. He is also responsible for the timetable and procedures for convening annual general meetings, including the time for sending notice of meeting and laying the respective financial statements.
5. On 25 November 2015, we established an audit committee which will implement formal and transparent arrangements to apply financial reporting and internal control principles in accounting and financial matters to ensure compliance with the Listing Rules and all relevant laws and regulations, including timely preparation and laying of accounts. It will also periodically review our compliance status with the Hong Kong laws after the Listing. The audit committee will exercise its oversight by:
  - (i) reviewing our internal control and legal compliance;
  - (ii) discussing the internal control systems with the management of our Group to ensure that the management has performed its duty to have an effective internal control system; and
  - (iii) considering the major investigation findings on internal control matters as delegated by the Board or on its own initiative and the management's response to these findings.

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6. Our Group will seek professional advice and assistance from independent internal control consultants, external legal advisors and/or other appropriate independent professional advisors with respect to matters related to our internal controls and compliance when necessary and appropriate.

### *View of our Directors and the Sole Sponsor*

Based on the Internal Control Consultant's review and recommendations, our Group adopted the measures and policies to improve its internal control systems and to ensure its compliance with the Listing Rules and the relevant Hong Kong laws. Also, after the Internal Control Consultant performed their follow-up review in June 2015, they have not identified any further issues and have made no further recommendations in the respective areas covered in their reviews. Based on the results of the internal control reviews, our Directors are of the view, and the Sole Sponsor concurs, that adequate and effective internal control procedure and policies have been put in place by our Group.

### LITIGATION AND POTENTIAL CLAIMS

During the Track Record Period and as at the Latest Practicable Date, our Group had been or was involved in a number of civil claims, litigations, arbitration and pending or threatened claims.

The following cases are related to (i) outstanding legal fees; and (ii) employees' compensation and personal injuries arising out of our Group's ordinary and usual course of business. The civil claims and litigation were initiated at the Hong Kong courts.

- (a) Set out below are the details of the ongoing and potential civil claims and litigations of material importance against our Group as at the Latest Practicable Date:

No.	Nature of incident/claim	Date or period of incident	Capacity of plaintiff(s)	Name(s) of defendant(s)	Amount/estimated quantum of damages claimed	Insurance coverage	Status
							Case No.: HCA 2580/2014
1.	Claim of outstanding legal fees by the plaintiff law firms who have previously rendered legal services in defending breaches of construction safety regulations in magistrates courts to Yee Hop Engineering.	From March 2011 to March 2012	Two law firms in Hong Kong	Yee Hop Engineering	HK\$1,914,216.80 plus interests	Not applicable	Yee Hop Engineering received the writ of summons on 15 October 2015 and a letter from the plaintiffs' legal representatives on 3 November 2015 stating that the statement of claim will be served on Yee Hop Engineering on or before 23 November 2015.

In connection with this claim, Yee Hop Engineering has already made a provision of HK\$2,126,907.5 in the accounts for the year ended 31 March 2014.

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No.	Nature of incident/claim	Date or period of incident	Capacity of plaintiff(s)	Name(s) of defendant(s)	Amount/estimated quantum of damages claimed	Insurance coverage	Status
Case No.: DCPI 1687/2015							
2.	A claim for damages for personal injuries sustained by the plaintiff in 2012, it was alleged that he suffered from right knee injury while he was in the course of employment with the main contractor of Yee Hop Engineering at the construction site in Kai Tak, Hong Kong.	2 August 2012	An employee of main contractor of Yee Hop Engineering	main contractor of Yee Hop Engineering  Yee Hop Engineering subcontractor	N/A	100%  The insurance covered by the main contractor.	As at the Latest Practicable Date, our Directors confirm that the writ of summons has not been served on Yee Hop Engineering.

No provision was made for this case as the amount of claim is within the amount of insurance coverage which was taken out by the main contractor and our Directors consider that the amount of damages payable (if any) will be covered by insurance in full.

No.	Nature of incident/claim	Date or period of incident	Capacity of plaintiff(s)	Name(s) of defendant(s)	Amount/estimated quantum of damages claimed	Insurance coverage	Status
Case No.: DCPI No. 740 of 2015							
3.	A claim for damages for personal injuries sustained by the plaintiff in 2013, it was alleged that his left knee and lower back was injured while he was in the course of employment with Y.H. Foundations at the construction site in Kowloon Tong, Hong Kong.	16 May 2013	an employee of Y.H. Foundations	Y.H. Foundations Yee Hop Construction  main contractor	HK\$556,555.74 (plus interest)	100%  The insurance is covered by the main contractor	The statement of claim and statement of damages were filed against Y.H. Foundations and Yee Hop Construction in April 2015

No provision was made for this case as the amount of claim is within the amount of insurance coverage which was taken out by the main contractor and our Directors consider that the amount of damages payable (if any) will be covered by insurance in full.

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No.	Nature of incident/claim	Date or period of incident	Capacity of intended plaintiff(s)	Name(s) of intended defendant(s)	Amount/estimated quantum of damages claimed	Insurance coverage	Status
4.	An intended claim for damages for personal injuries sustained by the intended plaintiff in 2013, it was alleged that his left wrist and left rib was injured while he was in the course of employment with Yee Hop Engineering at the construction site in Kai Tak, Hong Kong.	11 October 2013	an employee of Yee Hop Engineering	Yee Hop Construction Yee Hop Engineering main contractor	N/A	The insurance is covered by the main contractor	Yee Hop Engineering has received a letter from the intended plaintiff's legal representative in April 2015 stating that the intended plaintiff would like to claim for damages suffered by his personal injuries.

No provision was made for this case as the amount of claim is within the amount of insurance coverage which was taken out by the main contractor and our Directors consider that the amount of damages payable (if any) will be covered by insurance in full.

No.	Nature of incident/claim	Date or period of incident	Capacity of intended plaintiff(s)	Name(s) of intended defendant(s)	Amount/estimated quantum of damages claimed	Insurance coverage	Status
5.	An intended employees' compensation claim by the intended plaintiff in 2014, it was alleged that his left little finger was lacerated while he was in the course of employment with Yee Hop Engineering at the construction site in Lai Chi Kok, Kowloon, Hong Kong.	15 March 2014	an employee of Yee Hop Engineering	Yee Hop Engineering	N/A	100%  The claim is covered by the insurance policy taken out by Yee Hop Engineering for the period from 1 September 2011 to 31 August 2015.	Yee Hop Engineering has received a letter from the Labour Department in September 2015 enclosing the certificate of review of assessment.

No provision was made for this case as the amount of claim is within the amount of insurance coverage and our Directors consider that the amount of damages payable (if any) will be covered by insurance in full.



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No.	Nature of incident/claim	Date or period of incident	Capacity of intended plaintiff(s)	Name(s) of intended defendant(s)	Amount/estimated quantum of damages claimed	Insurance coverage	Status
6.	A potential employees' compensation claim by the intended plaintiff in 2014, it was alleged that his left knee was injured while he was in the course of employment with Yee Hop Engineering at the construction site in Yuen Long, Hong Kong.	24 December 2014	An employee of Yee Hop Engineering	Yee Hop Engineering	N/A	100%  The claim is covered by the insurance policy taken out by Yee Hop Engineering for the period from 24 June 2014 to 26 September 2015	Yee Hop Engineering has filed the Notice by Employer of the Death of an Employee or of an Accident to an Employee Resulting in Death or Incapacity (Form 2) on 9 January 2015 with Labour Department.

No provision was made for this case as the amount of claim is within the amount of insurance coverage and our Directors consider that the amount of damages payable (if any) will be covered by insurance in full.

No.	Nature of incident/claim	Date or period of incident	Capacity of intended plaintiff(s)	Name(s) of intended defendant(s)	Amount/estimated quantum of damages claimed	Insurance coverage	Status
7.	A potential employees' compensation claim by the intended plaintiff in 2015, it was alleged that he suffered from acute pelvic inflammatory disease while he was in the course of employment with Yee Hop Engineering at the construction site in Aberdeen, Hong Kong.	5 January 2015	An employee of Yee Hop Engineering	Yee Hop Engineering main contractor	N/A	100%  The claim is covered by insurance taken out by the main contractor	Our Group has received a letter from the main contractor informing us it is handling the said potential employees' compensation claim.

No provision was made for this case as the amount of claim is within the amount of insurance coverage and our Directors consider that the amount of damages payable (if any) will be covered by insurance in full.

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No.	Nature of incident/claim	Date or period of incident	Capacity of intended plaintiff(s)	Name(s) of intended defendant(s)	Amount/estimated quantum of damages claimed	Insurance coverage	Status
8.	A potential employees' compensation claim by the intended plaintiff in 2015, it was alleged that his leg was injured while he was in the course of employment with the subcontractor of Yee Hop Engineering at the construction site in Tuen Mun, Hong Kong.	10 March 2015	An employee of the subcontractor of Yee Hop Engineering	Yee Hop Engineering subcontractor of Yee Hop Engineering	N/A	100%  The claim is covered by the insurance policy taken out by Yee Hop Engineering for the period from 25 October 2013 to 24 October 2015.	Yee Hop Engineering has filed the Notice by Employer of the Death of an Employee or of an Accident to an Employee Resulting in Death or Incapacity (Form 2) on 28 May 2015 with the Labour Department.

No provision was made for this case as the amount of claim is within the amount of insurance coverage and our Directors consider that the amount of damages payable (if any) will be covered by insurance in full.

No.	Nature of incident/claim	Date or period of incident	Capacity of intended plaintiff(s)	Name(s) of intended defendant(s)	Amount/estimated quantum of damages claimed	Insurance coverage	Status
9.	A potential employees' compensation claim by the intended plaintiff in 2015, it was alleged that his right ankle was injured while he was in the course of employment with Yee Hop Engineering at the construction site in Yuen Long, Hong Kong.	16 June 2015	An employee of Yee Hop Engineering	Yee Hop Engineering	N/A	100%  The claim is covered by the insurance policy taken out by Yee Hop Engineering for the period from 1 September 2011 to 31 August 2015.	Yee Hop Engineering has filed the Notice by Employer of the Death of an Employee or of an Accident to an Employee Resulting in Death or Incapacity (Form 2) on 24 June 2015 with the Labour Department.

No provision was made for this case as the amount of claim is within the amount of insurance coverage and our Directors consider that the amount of damages payable (if any) will be covered by insurance in full.

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**BUSINESS**

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No.	Nature of incident/claim	Date or period of incident	Capacity of intended plaintiff(s)	Name(s) of intended defendant(s)	Amount/estimated quantum of damages claimed	Insurance coverage	Status
10.	A potential employees' compensation claim by the intended plaintiff in 2015, it was alleged that his neck and chest were injured while he was in the course of employment with Yee Hop Engineering at the construction site in Kwun Tong, Hong Kong.	8 July 2015	An employee of Yee Hop Engineering	Yee Hop Engineering	N/A	100%  The claim is covered by the insurance policy taken out by the main contractor.	Yee Hop Engineering has filed the Notice by Employer of the Death of an Employee or of an Accident to an Employee resulting in Death or Incapacity (Form 2) on 13 July 2015 with the Labour Department.

No provision was made for this case as the amount of claim is within the amount of insurance coverage and our Directors consider that the amount of damages payable (if any) will be covered by insurance in full.

No.	Nature of incident/claim	Date or period of incident	Capacity of intended plaintiff(s)	Name(s) of intended defendant(s)	Amount/estimated quantum of damages claimed	Insurance coverage	Status
11.	A potential employees' compensation claim by the intended plaintiff in 2015, it was alleged that his head and neck were injured while he was in the course of employment with Yee Hop Engineering at the construction site in To Kwa Wan, Hong Kong.	3 August 2015	An employee of Yee Hop Engineering	Yee Hop Engineering main contractor of Yee Hop Engineering	N/A	100%  The claim is covered by the insurance policy taken out by the main contractor.	Yee Hop Engineering has filed the Notice by Employer of the Death of an Employee or of an Accident to an Employee resulting in Death or Incapacity (Form 2) on 26 August 2015 with the Labour Department.

No provision was made for this case as the amount of claim is within the amount of insurance coverage and our Directors consider that the amount of damages payable (if any) will be covered by insurance in full.

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No.	Nature of incident/claim	Date or period of incident	Capacity of intended plaintiff(s)	Name(s) of intended defendant(s)	Amount/estimated quantum of damages claimed	Insurance coverage	Status
12.	A potential employees' compensation claim by the intended plaintiff in 2015, it was alleged that his right feet was fractured while he was in the course of employment with Yee Hop Engineering at the construction site in Yau Ma Tei, Hong Kong.	21 September 2015	An employee of Yee Hop Engineering	Yee Hop Engineering	N/A	100%  The claim is covered by the insurance policy taken out by Yee Hop Engineering for the period from 1 September 2015 to 31 August 2016.	Yee Hop Engineering has filed the Notice by Employer of the Death of an Employee or of an Accident to an Employee resulting in Death or Incapacity (Form 2) on 3 October 2015 with the Labour Department.

No provision was made for this case as the amount of claim is within the amount of insurance coverage and our Directors consider that the amount of damages payable (if any) will be covered by insurance in full.

As the above cases are either covered by insurance or indemnified by the Controlling Shareholders under the Deed of Indemnity, our Directors are of the view that the above cases have no material adverse impact on the operation or financial position or business of our Group.

- (b) Set out below are the details of the material civil claims and litigations against our Group which were either settled, discontinued or withdrawn during the Track Record Period and up to the Latest Practicable Date:

No.	Nature of incident/claim	Date of incident	Capacity of plaintiff(s)	Name(s) of defendant(s)	Amount/estimated quantum of damages settled/claimed	Insurance coverage	Status
1.	Employees' compensation claim	31 August 2005	An employee of the 2nd respondent	Yee Hop Engineering main contractor of Yee Hop Engineering  subcontractor  subcontractor  subcontractor  subcontractor	HK\$313,486	100%  The insurance is covered by the main contractor.	The claim was settled in April 2013.

## BUSINESS

No.	Nature of incident/claim	Date of incident	Capacity of plaintiff(s)	Name(s) of defendant(s)	Amount/estimated quantum of damages settled/claimed	Insurance coverage	Status
2.	Dispute on payment of outstanding service fee	From November 2009 to September 2010	A subcontractor of Yee Hop Engineering	Yee Hop Engineering	HK\$4,500,000 plus interests	Not applicable	The case was discontinued in July 2015.
3.	Negligence claim in relation to damage to a 11 kilovolt cable lawfully laid under the ground at a country trail in Tai Po, New Territories	14 September 2009	Owner of the cable	Yee Hop Engineering	HK\$110,000	Not applicable	The case was discontinued in May 2013.
4.	(i) Employees' compensation claim  (ii) Personal injuries claim	23 June 2010	an employee of Yee Hop Engineering	Yee Hop Engineering  main contractor of Yee Hop Engineering	HK\$676,768 plus costs	100%  The insurance is covered by the main contractor.	The claim was settled in March 2015.
5.	Employees' compensation claim	6 April 2012	An employee of Yee Hop Engineering	Yee Hop Engineering	HK\$500,000	100%	The claim has been settled in July 2013.
6.	Employees' compensation claim	2 August 2012	An employee of main contractor of Yee Hop Engineering	Yee Hop Engineering  main contractor of Yee Hop Engineering	HK\$216,160	100%	The claim was settled in July 2013.
7.	Employees' compensation claim	10 August 2012	An employee of main contractor of Yee Hop Engineering	Yee Hop Engineering  main contractor of Yee Hop Engineering	As the case was handled by the main contractor of Yee Hop Engineering the amount claimed or settled is not known	100%  The insurance is covered by the main contractor	The Labour Department has issued a letter on 29 January 2013 stating that the plaintiff has requested to withdraw the case.
8.	Employees' compensation claim	30 August 2012	An employee of sub-contractor of Yee Hop Construction	Yee Hop Construction  subcontractor of Yee Hop Construction  main contractor of Yee Hop Construction	HK\$5,736	100%  The insurance is covered by the main contractor.	The claim was settled in February 2015.

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No.	Nature of incident/claim	Date of incident	Capacity of plaintiff(s)	Name(s) of defendant(s)	Amount/estimated quantum of damages settled/claimed	Insurance coverage	Status
9.	Employees' compensation claim	10 September 2012	An employee of Yee Hop Engineering	Yee Hop Engineering	Nil	100%	The Labour Department issued a letter on 16 November 2012 stating that the plaintiff has requested to withdraw the case.
10.	Employees' compensation claim	13 November 2012	An employee of Yee Hop Engineering	Yee Hop Engineering	HK\$800	100%	The claim was settled in November 2012.
11.	Employees' compensation claim	16 May 2013	An employee of Y.H. Foundations	Y.H. Foundations Yee Hop Construction main contractor	HK\$412,400.8	100%	The case was discontinued in December 2014. The insurance is covered by the main contractor.
12.	Employees' compensation claim	13 August 2013	An employee of Yee Hop Engineering	Yee Hop Engineering	HK\$474,628	100%	The claim was settled in July 2015.
13.	Employees' compensation claim	11 October 2013	An employee of Yee Hup Engineering	Yee Hop Engineering	HK\$500,971	100%	The case was settled in December 2014. The insurance is covered by the main contractor.
14.	Employees' compensation claim	21 August 2014	An employee of Yee Hop Engineering	Yee Hop Engineering	HK\$171,936.12	100%	The claim was settled in August 2015.
15.	Employees' compensation claim	5 November 2014	An employee of Y. H. Foundations	Y. H. Foundations	HK\$81,088.96	100%	The claim was settled in June 2015.
16.	Employees' compensation claim	2 December 2014	An employee of Yee Hop Engineering	Yee Hop Engineering	HK\$162,897.97	100%	The claim was settled August 2015.

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- (c) Set out below are the details of the ongoing arbitration that involved our Group as the claimant up to the Latest Practicable Date:

During the Track Record Period and as at the Latest Practicable Date, Yee Hop Engineering was engaged in an arbitration proceeding in Hong Kong in relation to the contract sum of the construction works carried out by Yee Hop Engineering for the counter party. Owing to the relevant terms of the contract between Yee Hop Engineering and the counter party in the arbitration proceeding, the Arbitration Ordinance (Chapter 609 of the Laws of Hong Kong) and the relevant arbitral rules, all information about the arbitration must remain confidential. Yee Hop Engineering and the counter party have agreed to conduct mediation while putting the arbitration on hold.

Taking into account the position of Yee Hop Engineering as claimant in the arbitration proceedings and the nature of the arbitration proceeding, our Directors are of the view that the arbitration proceeding does not have any material financial and operational impact on our Group. Also, our Group's interest under the arbitration proceeding is protected under the Deed of Indemnity whereby our Controlling Shareholders have irrevocably and unconditionally, jointly and severally, agreed to indemnify our Group against, among others, all loss and damages arising from the arbitration proceeding.

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

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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### CONTROLLING SHAREHOLDERS

Immediately upon completion of the Capitalisation Issue and the Share Offer, YH Assets will own 75% of our Company's entire issued share capital (without taking into account the exercise of the Adjustment Options and any options which may be granted under the Share Option Scheme). Mr. Jim through JJ1318 holds 51% of YH Assets whereas Mr. Chui through MM1318 holds 49% of YH Assets. Therefore, Mr. Jim, JJ1318, Mr. Chui, MM1318 and YH Assets are our Controlling Shareholders.

### Mr. Jim's appointment with the Third Party Site Formation Works Company

Mr. Jim had been one of the AS of a third party construction company (the "**Third Party Site Formation Works Company**"), which is a specialist contractor in the site formation works category under the Buildings Ordinance ("**BD-Site Formation Works Contractor**") from 2000 until June 2015. BD-Site Formation Works Contractors are allowed to undertake projects relating to site formation works (other than projects for the Government departments) which are specified in the Buildings Ordinance, as contrary to the contractors registered with the Development Bureau under the site formation category, which can carry out the site formation projects for any Government departments.

#### *Role of an AS of a BD-Site Formation Works Contractor*

An AS of a BD-Site Formation Works Contractor is generally responsible for the carrying out of the duties of that BD-Site Formation Works Contractor in a particular project involving site formation works as categorised in the Buildings Department. As advised by the Counsel, the AS is only responsible for the project(s) under his supervision and the Buildings Department would not require an AS to be responsible for the projects supervised by other AS of the same BD-Site Formation Works Contractor.

#### *Role of Mr. Jim in acting as an AS of the Third Party Site Formation Works Company*

Mr. Jim did not hold any other positions, save and except for being an AS in the site formation category, in the Third Party Site Formation Works Company. Mr. Jim confirmed that he and his close associate did not have any legal or beneficial shareholding interest in the Third Party Site Formation Works Company. Mr. Jim had neither been involved in any decision-making process in relation to the operation, business or other aspects of the Third Party Site Formation Works Company nor supervised any site formation works project or signed any document on behalf of the Third Party Site Formation Works Company in the capacity of the AS and thus, no services had actually been rendered to the Third Party Site Formation Works Company during the Track Record Period. Given Mr. Jim had not supervised any site formation works project of the Third Party Site Formation Works Company nor signed any document in the capacity of its AS, pursuant to the Counsel's advice, Mr. Jim should have no liability whatsoever in relation to the site formation projects undertaken by the Third Party Site Formation Works Company. On the other hand, during the Track Record Period, no project involving site formation works was referred or subcontracted to our Group from the Third Party Site Formation Works Company and vice versa. No salary, remuneration or any other forms of compensation was received by Mr. Jim from the Third Party Site Formation



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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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Works Company in connection with his being the AS of the Third Party Site Formation Works Company. As such, our Directors take the view that there should not be any circumstance which might give rise to any conflict of interest between Mr. Jim and our Group by reason of Mr. Jim being an AS in the Third Party Site Formation Works Company during the Track Record Period. Nevertheless, to avoid any potential conflict of interest in the future after the Listing, Mr. Jim had tendered his resignation and ceased to act as the AS of the Third Party Site Formation Works Company since June 2015.

*No conflict of interest would have arisen between Mr. Jim and our Group*

Our Directors take the view that Mr. Jim's acting as an AS of the Third Party Site Formation Works Company in the past would not have caused any adverse effect on the business and operation of our Group and thus, there had not been any conflict of interest between Mr. Jim and our Group due to the following reasons:–

- (i) At all material time, no member of our Group could or can satisfy one of the mandatory requirements for registration as a BD-Site Formation Works Contractor under PNRC 38, which required, among others, at least one of its directors to be qualified as a Technical Director in the site formation category or an other officer as defined in Appendix E of PNRC 38 (the “OO”) to assist its Technical Director to discharge his duties thereunder. No director of our Group was or is qualified as a Technical Director due to the lack of (i) relevant expertise in their academic qualifications; (ii) relevant technical experience on local site formation works; and/or (iii) relevant management experience with management responsibilities in technical matters. Our Group's Technical Director in Registered General Building Contractor and Registered Specialist Contractor in foundation category, namely, Mr. Leung Hung Kwong Derrick (“**Mr. Leung**”) joined our Group only in 2008. Since then, our Group had undertaken only two projects which involved certain site formation works. As such, Mr. Leung's experience in site formation works would not be sufficient to support our Group's application for registration as a BD-Site Formation Works Contractor. Thus, even if Mr. Jim had not acted as an AS for the Third Party Site Formation Works Company in the past, our Directors take the view that our Group still would not apply for the licence as the BD-Site Formation Works Contractor;
- (ii) notwithstanding the reasons set out in (i) above, our Group had no plan to appoint a new director or an OO, who might possess the requisite academic qualification in relevant discipline or technical experience in site formation works solely for the purpose of applying for registration as a BD-Site Formation Works Contractor unless our Group is satisfied that such new director or an OO has the respective requisite skill, care and diligence to discharge his/her duties as a director of any member of our Group or an OO as required under the Buildings Department;
- (iii) the provision of site formation works had formed an insignificant source of income of our Group at all material time. Generally, the site formation works undertaken by our Group were not on an individual contract basis but were contracts covering both foundation works and other civil works which included site formation works. In the past 10 years, our Group had undertaken only two projects which involved certain site formation works and other civil works with a total contract sum of

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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approximately HK\$81 million, of which approximately HK\$18.3 million was derived from site formation works and the duration of site formation works as categorised by the Buildings Department was approximately 15 months. Of these two projects, one project with a contract sum of HK\$34 million took place during the Track Record Period, of which approximately HK\$1.7 million was related to site foundation works as categorised by the Buildings Department. In light of the above, our Directors take the view that it is not commercially viable to appoint a new Technical Director or an OO solely for registration as a BD-Site Formation Works Contractor;

- (iv) our Group can continue to carry out site formation works governed by the Buildings Department through subcontractors or under main contractors who have to be BD-Site Formation Works Contractors. As such, our Group had no immediate need to be registered as a BD-Site Formation Works Contractor at the material time; and
- (v) Mr. Jim had not been involved in the management and operation of Third Party Site Formation Works Company since his appointment with the Third Party Site Formation Works Company nor supervised any site formation works project of the Third Party Site Formation Works Company as its AS, and thus, his time and expertise devoted to our Group would not be deprived of.

On the contrary, Mr. Jim confirmed that he accepted the appointment as an AS of the Third Party Site Formation Works Company in 2000 as he thought it would help developing and strengthening the long-term business relationship between our Group and the Third Party Site Formation Works Company.

### *Legal compliance of the arrangement between Mr. Jim and the Third Party Site Formation Works Company regarding the appointment of AS from 2000 to 2015*

The Counsel opined that the Buildings Ordinance and its subsidiary regulations impose no requirement on (i) the AS of the registered contractor to be its full time employee; or (ii) each AS of the registered contractor is responsible for the registered contractor's projects not under his supervision or the relevant prescribed forms of the Buildings Department of such projects which are not signed by him in the capacity of an AS. The Counsel further opined that the Buildings Department has no concern on the commercial arrangement between the AS and the respective registered contractor. As such, an AS does not need to have an employment relationship with the contractor or disclose to the Buildings Department the business relationship between the AS and the respective registered contractor. Based on the Counsel's advice, our Directors note that Mr. Jim's acting as an AS of the Third Party Site Formation Works Company without (i) having any formal employment relationship with such Third Party Site Formation Works Company; or (ii) supervising any site formation works project of such Third Party Site Formation Works Company at all material time would not render Mr. Jim in breach of any relevant laws and regulations in Hong Kong. Moreover, in the event that an AS is not being appointed or engaged to supervise any projects undertaken by the respective registered contractor, there is no obligation imposed upon the said AS regarding the business or operation or other site formation works of the registered contractor in any respects. Our Directors, upon obtaining legal advice, confirm that the arrangement between Mr. Jim and the Third Party Site Formation Works Company would not render Mr. Jim or our Group in breach of any applicable laws, rules and regulations at all time.

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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### *The Sponsor's views*

Taking into account all the above-mentioned factors in totality and the opinion of the Counsel, the Sponsor concurs with the Directors' views that Mr. Jim's acting as the AS of the Third Party Site Formation Works Company in the past (i) would not have caused any adverse effect on the business and operation of our Group; and (ii) was not in breach of any applicable laws, rules or regulations.

Mr. Jim, Mr. Chui and Mr. Jim's close associate (as the case may be) had interest in the following companies which were also in the construction industry.

### **Yee Hop Engenharia Companhia Limitada**

Mr. Jim and Mr. Chui were interested in the entire equity interest of Yee Hop Engenharia Companhia Limitada which had been dissolved as at the Latest Practicable Date. Details of Yee Hop Engenharia Companhia Limitada are as follows:

Date and place of incorporation:	Incorporated in Macau as a commercial company with limited liability by quotas on 26 April 2005
Shareholding interest immediately before dissolution:	Directly owned as to 50% by Mr. Jim and 50% by Mr. Chui
Principal business:	Construction engineering in Macau
Manner of dissolution:	Dissolved by way of shareholders' resolution passed on 31 October 2014
Date of dissolution:	31 October 2014

Yee Hop Engenharia Companhia Limitada had been dormant prior to its dissolution and no revenue was generated during the Track Record Period. As our Group does not proactively look for business opportunities in Macau, it is not beneficial to incur administrative costs and efforts to maintain a Macau company in our Group which may not be engaged in any business activities. Further, current potential customers in Macau generally accept a Hong Kong subcontractor to be a party to the contract and it is thus not necessary to maintain a Macau company to take up business in Macau. In case there is any project in Macau and the relevant customer specifically requests a Macau company (but not a Hong Kong company) to be a contract party (which the Board considers less likely), our Group may consider setting up a new Macau subsidiary, if necessary.

### **Celebright Limited**

Celebright Limited ("**Celebright**") is a limited company incorporated in BVI on 15 July 2005 and was registered as a non-Hong Kong company in Hong Kong under Part XI of the Predecessor Companies Ordinance on 21 October 2005. Celebright is principally engaged in civil engineering. It is wholly owned by Madam Lee Sze Wing Mabel ("**Madam Lee**"), the spouse of Mr. Jim. As such, Celebright Limited is a connected person pursuant to the Listing Rules.

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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Celebright, since its incorporation, had entered into a number of construction contracts with a contractor (the “**Celebright’s Contracts**”). All the works under Celebright’s Contracts had subsequently been subcontracted to Yee Hop Engineering pursuant to a subcontract agreement dated 1 November 2005 whereby Celebright agreed to engage Yee Hop Engineering as its exclusive subcontractor to perform the entire works under the Celebright’s Contracts and in return, Celebright shall pay to Yee Hop Engineering a subcontractor fee equivalent to 97.75% of the contract fee of the Celebright’s Contracts. Celebright and Yee Hop Engineering further entered into a supplemental subcontract agreement on 31 December 2010 whereby Celebright agreed to provide a project office situate at Unit 1107, Nan Fung Commercial Centre, 19 Lam Lok Street, Kowloon Bay, Hong Kong to Yee Hop Engineering and both parties agreed that the aforesaid subcontractor fee shall be reduced to the fee equivalent to 86.25% of the contract fee of the Celebright’s Contracts. Upon completion of the Celebright’s Contracts and the settlement of the final accounts, Yee Hop Engineering shall deliver vacant possession of the project office to Celebright or, at the discretion of Yee Hop Engineering, reimburse Celebright the actual cost of the provision of the project office.

The total subcontractor fee received by Yee Hop Engineering under the aforesaid subcontract agreement and supplemental subcontract agreement was approximately HK\$3.6 million, nil, nil and nil for the three years ended 31 March 2013, 2014, 2015 and the four months ended 31 July 2015 respectively. Yee Hop Engineering reimbursed Celebright approximately nil, HK\$228,000, HK\$99,000 and nil being the actual cost of use of project office for the years ended 31 March 2014, 31 March 2015 and the four months ended 31 July 2015 respectively.

Our Directors are of the view that the aforesaid subcontract agreement and supplemental subcontract agreement and the arrangement contemplated thereunder were entered into in the ordinary course of business of our Group and on normal commercial terms. Save and except the aforesaid subcontract agreement and the supplemental subcontract agreement, there was no other agreement or transaction entered into between our Group and Celebright during the Track Record Period and up to the Latest Practicable Date. Our Directors confirmed that save as disclosed herein, Celebright had not subcontracted any construction works to any third party other than our Group and there is no outstanding amount between Celebright and our Group as at the Latest Practicable Date.

Since the completion of the Celebright’s Contracts and the settlement of the final account, Celebright has not engaged in any other project and thus Celebright has since 2 July 2015 ceased its business in Hong Kong.

Our Directors are of the view that the cessation of its business with Celebright in Hong Kong will not have any material impact on our Group’s business and financial results because (i) the revenue derived from Celebright only represented approximately 1.1% of our Group’s total revenue for the year ended 31 March 2013 which was immaterial; (ii) no revenue was derived from Celebright for the two years ended 31 March 2014, 2015 and the four months ended 31 July 2015; and (iii) we have been actively tendering for new projects.

Save as disclosed herein, our Controlling Shareholders have confirmed that none of them and their respective close associates is interested in any business which competes or is likely to compete, directly or indirectly with the business of our Group and there was no competing business between our Controlling Shareholders and our Group. For detailed background

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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information about our Controlling Shareholders, please see the sections headed “Directors, senior management and employees” and “History, Reorganisation and Corporate Structure” in this prospectus.

### INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Our Directors consider that our Group is capable of carrying on its business independently from our Controlling Shareholders and their close associates after Listing for the following reasons:

#### Management independence

Our management and operational decisions are made by the Board and senior management. The Board comprises four executive Directors and three independent non-executive Directors. Although Mr. Jim and Mr. Chui who on one hand are the directors of YH Assets and also the sole director of JJ1318 and MM1318 respectively, and on the other hand hold directorships in our Company, we consider that the Board and senior management will function independently from our Controlling Shareholders because:

- (a) each Director is aware of his fiduciary duties as a Director which require, among other things, that he or she acts for the benefit and in the best interest of our Company and does not allow any conflict between his duties as a Director and his personal interests;
- (b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meetings in respect of such transactions, and shall not be counted in forming quorum. Our Group has also adopted certain corporate governance measures for conflict situation, details of which are set out in the paragraph headed “Corporate governance measures” of this section; and
- (c) all our senior management members are independent from our Controlling Shareholders. They have substantial experience in the industry we are engaged in and have served our Group for a significant length of time during which they have demonstrated their capability of discharging their duties independently from our Controlling Shareholders.

#### Operational independence

We do not share operation team, facilities and equipment with our Controlling Shareholders and their close associates. We have independent access to suppliers and clients and an independent management team to handle our day-to-day operations. We are also in possession of all relevant licences necessary to carry on and operate our business and we have sufficient workforce to operate independently from our Controlling Shareholders and their close associates. Further, our Controlling Shareholders have no interest in any of our five largest customers, suppliers or other business partners. Our Directors are of the view that there is no operational dependence by us on our Controlling Shareholders.

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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### Financial independence

As at the Latest Practicable Date, we did not have any outstanding loans or borrowings from our Controlling Shareholders or any of their respective close associates. Save and except the facilities granted by Hongkong and Shanghai Banking Corporation Limited, the securities and guarantees in respect of other facilities provided by the Controlling Shareholders will be released upon Listing and will be replaced by corporate guarantee from the Group companies. In respect of the facilities granted by the Hongkong and Shanghai Banking Corporation Limited in the amount of HK\$52.0 million for a term of one year (renewable annually), conditions were imposed to the effect that (i) the tangible net worth of our Company shall be maintained at no less than HK\$120.0 million; (ii) the external gearing of our Company shall not be greater than 1 at all time; (iii) the current ratio of our Company shall be greater than 1 at all time; and (iv) the aggregate beneficial interest of Mr. Jim and Mr. Chui in our Company shall not be less than 51% in our Company. The said condition (iv) will constitute a specific performance by our Controlling Shareholders under a loan agreement entered into by our Group under Rule 13.18 of the Listing Rules. Save as disclosed above, we confirmed that as at the Latest Practicable Date, there were no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have been given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

Also, as at the Latest Practicable Date, surety bond/performance bond were issued by Bank of China Group Insurance Company Limited in the total amount of approximately HK\$23.1 million to guarantee the satisfactory completion of projects by Yee Hop Engineering such that if Yee Hop Engineering fails to perform according to the requirements of the contract, the customer is guaranteed compensation for any monetary loss up to the amount of the surety bonds. Mr. Jim and Mr. Chui provided guarantee to secure the payment of the surety bond/performance bond by Yee Hop Engineering and such guarantee will be released upon Listing.

Our Group has independent financial and accounting systems, independent treasury function for receiving cash and making payments and independent access to third party financing. Our Group makes financial decisions according to its own business needs. In view of our Group's internal resources and the estimated net proceeds from the Share Offer, our Directors believe that our Group will have sufficient capital for its financial needs without dependence on our Controlling Shareholders.

Our Group has its own capabilities and personnel to perform all essential administrative functions, including internal control, financial and accounting management, invoicing and billing, human resources and information technology.

### DEED OF NON-COMPETITION

In order to avoid any future competition between our Group and our Controlling Shareholders, each of the Controlling Shareholders has under the Deed of Non-competition undertaken and covenanted with our Company (for itself and as trustee for its subsidiaries)

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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that for so long as he/it and/or his/its close associates, directly or indirectly, whether individually or taken together, remain a controlling shareholder(s) of our Company:

- (i) he/it will not, and will procure his/its close associates not to (other than through our Group or in respect of each Controlling Shareholder (together with his/its close associates), as a holder of not more than 5% of the issued shares or stock of any class or debentures of any company listed on any recognised stock exchange) directly or indirectly carry on, engage or otherwise be interested (in each case whether as shareholder, director, partner, agent, employee or otherwise and whether for profit, reward or otherwise) in any business which may be in competition with the business carried on by our Group from time to time (the “**Restricted Activity**”), except where our Company’s approval as mentioned in the paragraph below is obtained.

Our Controlling Shareholders and their respective close associates are entitled to engage or have an interest in any Restricted Activity if our Company has confirmed in writing (the “**Approval Notice**”) that none of our Group members wishes to be engaged or interested in the relevant Restricted Activity and it has approved the relevant Controlling Shareholders and their respective close associates to engage or have any interest in the Restricted Activity. Any Director who is interested in the relevant Restricted Activity shall not vote on the relevant resolutions approving the Approval Notice;

- (ii) if any of our Controlling Shareholder and/or his/its close associates decide to invest, be engaged, or participate in any Restricted Activity, whether directly or indirectly, in compliance with the Deed of Non-competition, he/it will and/or will procure his/its close associates (other than members of our Group) to disclose the terms of such investment, engagement or participation to our Company and our Directors as soon as practicable and use his/its reasonable endeavours to procure that such investment, engagement or participation (the “**New Business Opportunities**”) is offered to our Company on terms no less favourable than the terms on which such investment, engagement or participation is offered to him/it and/or his/its close associates. When any New Business Opportunities are referred to our Company by any of our Controlling Shareholders, the independent non-executive Directors of our Company will consider such opportunity on various aspects including viability and profitability;
- (iii) he/it will not, and will procure his/its close associates not to, directly or indirectly, solicit, interfere with or entice away from any member of our Group, any natural person, legal entity, enterprise or otherwise who, to any of our Controlling Shareholder’s knowledge, as at the date of the Deed of Non-competition, is or has been or will after the date of the Deed of Non-competition be, a customer, supplier, distributor or management, technical staff or an employee (of managerial grade or above) of any member of our Group; and
- (iv) he/it will not, and will procure his/its close associates not to, exploit his/its knowledge or information obtained from our Group to compete, directly or indirectly, with the Restricted Activity.

The Deed of Non-competition and the rights and obligations thereunder are conditional and will take effect immediately upon Listing.

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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The obligations of a Controlling Shareholder under the Deed of Non-competition will remain in effect until:

- (a) the date on which the Shares cease to be listed on the Stock Exchange; or
- (b) such Controlling Shareholder and his/its close associates, individually and/or collectively, cease to be deemed as controlling shareholder of our Company (within the meaning defined in the Listing Rules from time to time); or
- (c) the Controlling Shareholders and his/its close associates, individually and/or collectively beneficially own or are interested in the entire issued share capital of our Company;

whichever occurs first.

Nothing in the Deed of Non-competition shall prevent our Controlling Shareholders or any of their close associates from carrying on any business whatsoever other than the Restricted Activity.

### CORPORATE GOVERNANCE MEASURES

The following corporate governance measures will be adopted to monitor the compliance of the Deed of Non-competition:

- (a) the independent non-executive Directors shall review, at least on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders and their respective close associates on their existing or future competing businesses;
- (b) our Controlling Shareholders shall promptly provide all information necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-competition and provide to our Company a written confirmation relating to the compliance of the Deed of Non-competition and make an annual declaration on compliance with the Deed of Non-competition in the annual report of our Company;
- (c) our Company shall disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the undertakings provided by our Controlling Shareholders as set out in the Deed of Non-Competition either through the corporate governance report as set out in the annual report of our Company, and/or by way of announcements to the public;
- (d) any New Business Opportunities under the Deed of Non-competition and all other matters determined by the Board as having a potential conflict of interest with our Controlling Shareholders will be referred to the independent non-executive Directors for discussion and decision. When necessary, such independent non-executive Directors will engage an independent financial advisor to advise them on the relevant matters. In the event any New Business Opportunities presented by or otherwise arising in connection with any of our Controlling



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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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Shareholders are turned down by our Group according to the Deed of Non-competition, our Company will disclose the decision, as well as the basis for such decision in the annual report or interim report of our Company. The annual report of our Company will include the views and decisions, with bases, of the independent non-executive Directors on whether to take up any New Business Opportunities under the Deed of Non-competition or other matters having a potential conflict of interest with our Controlling Shareholders that have been referred to the independent non-executive Directors;

- (e) if the Controlling Shareholder or a Director has a conflict of interest in a matter to be considered, he/it shall act in accordance with the requirements of the Listing Rules, regarding voting on such matter; and
- (f) the compliance advisor of our Company shall provide our Company with professional advice on compliance of continuing obligations under the Listing Rules in accordance with the provisions of the compliance advisor agreement and the requirements of the Listing Rules.

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## CONNECTED TRANSACTIONS

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### OVERVIEW

During the Track Record Period, our Group had entered into a number of transactions with connected persons of our Company, and these transactions will continue following listing, whereby constituting continuing connected transactions of our Group pursuant to the Listing Rules. Details of the continuing connected transactions are set out as below.

### EXEMPT CONTINUING CONNECTED TRANSACTION

#### Lease Agreement

On 25 July 2015, a lease agreement (the “**Lease Agreement**”) was entered into between Pioneer National Development Limited (as landlord) (“**Pioneer National**”) and Yee Hop Engineering (as tenant) in respect of the premises situated at Units 1104-07, Nan Fung Commercial Centre, 19 Lam Lok Street, Kowloon Bay, Kowloon, Hong Kong (the “**Premises**”) with a gross floor area of approximately 460 sq.m. for office use.

The Lease Agreement was for a term of three years commencing on 25 July 2015 and ending on 24 July 2018 (both days inclusive) at a monthly rental of HK\$82,000 (exclusive of rates, government rent and management fee which are payable by the tenant). The monthly rental is payable in advance on the 1st day of each and every successive calendar month.

The monthly rental was determined after arm’s length negotiations between the parties by making reference to the prevailing market rates of similar properties in the vicinity. Vigers Appraisal & Consulting Limited, an independent property valuer has been engaged to confirm that the monthly rental under the Lease Agreement is consistent with the prevailing market rates of similar properties in the similar location or at the vicinity and is fair and reasonable.

Pioneer National is a limited company incorporated in Hong Kong on 23 May 1996 and owned as to 50% by Mr. Jim and 50% by Mr. Chui, both executive Directors and Controlling Shareholders of our Company. As such, Pioneer National is a connected person pursuant to the Listing Rules. Accordingly, the Lease Agreement, which will continue after the Listing, will constitute a continuing connected transaction for our Company under the Listing Rules. As at the Latest Practicable Date, Pioneer National was an investment holding company.

During the Track Record Period, Yee Hop Engineering rented from Pioneer National in respect of Units 1104-06, Nan Fung Commercial Centre, 19 Lam Lok Street, Kowloon Bay, Hong Kong. For each of the three years ended 31 March 2013, 2014, 2015 and the four months ended 31 July 2015, the historical annual rental paid by Yee Hop Engineering to Pioneer National amounted to approximately HK\$300,000, HK\$600,000, HK\$600,000 and HK\$254,000. During the Track Record Period, Yee Hop Engineering occupied Unit 1107, Nan Fung Commercial Centre, 19 Lam Lok Street, Kowloon Bay, Hong Kong under its arrangement with Celebright as the project office provided by Celebright. For details of the arrangement with Celebright, please refer to the paragraph headed “Relationship with the Controlling Shareholders — Controlling Shareholders — Celebright Limited.”

As the relevant applicable percentage ratios with respect to the transaction contemplated under the Lease Agreement on an annual basis are less than 5% and the annual consideration is less than HK\$3,000,000, the Lease Agreement constitutes exempt continuing connected

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## CONNECTED TRANSACTIONS

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transaction of our Company under Rule 14A.76(1) of the Listing Rules, and is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### *Confirmation from the Directors*

Our Directors (including our independent non-executive Directors), after taking into account of the view of an independent property valuer that the monthly rental under the Lease Agreement is at prevailing market rate, confirm that the Lease Agreement has been entered into in the ordinary and usual course of business of our Group on normal commercial terms, and the terms of the Lease Agreement are fair and reasonable and in the interests of our Company and Shareholders as a whole.

### NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

#### **Lease and mobilisation of machineries**

During the Track Record Period, Yee Hop Engineering and Y.H. Foundations entered into various rental contracts with Chun Wai Engineering Co. ("**CW Engineering**") in respect of the lease and mobilisation of certain machineries.

For the year ended 31 March 2015, Yee Hop Engineering and Y.H. Foundations also entered into various rental contracts with Chun Wai Cranes Limited ("**CW Cranes**") in respect of the lease and mobilisation of certain machineries.

The total rental and mobilisation fees paid by the Group to CW Engineering and CW Cranes (both of which are beneficially owned by the same connected person as further discussed below) amounted to approximately HK\$4.1 million, HK\$2.9 million, HK\$1.8 million and HK\$3.8 million for the three years ended 31 March 2013, 2014, 2015 and the four months ended 31 July 2015, respectively. The said rental contracts were entered into on project basis and with a minimum leasing period ranging from one month to six months.

On 25 November 2015, Yee Hop Engineering, Y.H. Foundations and CW Cranes entered into a master agreement in relation to the lease and mobilisation of certain machineries, including crawler cranes (the "**Master Agreement**"), for the period from 1 April 2015 to 31 March 2016. Having considered (i) our long term business relationship with CW Cranes; (ii) the short-term use of certain machineries; and (iii) the costs for purchasing certain machineries which would not be used by our Group frequently, our Directors are of the view that it is more cost-efficient and flexible to lease the machineries from CW Cranes instead of purchasing such machineries. The parties agree that the parties shall enter into a separate rental contract in respect of each lease and mobilisation of a machinery to specify the details of each lease and mobilisation arrangement which include but not limited to the fee and payment terms.

The rental and mobilisation fee shall be agreed by the parties at arm's length basis on normal commercial terms, which shall not be less favourable than the terms that could be obtained by our Group from an Independent Third Party.

In order to ensure the future rental and mobilisation fees offered by CW Cranes are fair and reasonable and comparable to those offered by Independent Third Parties, our Group will

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## CONNECTED TRANSACTIONS

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solicit at least two other independent companies to provide quotation in relation to the same type of services of comparable nature and scale provided by CW Cranes prior to entering into separate rental contract with CW Cranes so to know the prevailing market rate. Where no such quotation is available, the Board will consider any available rental and mobilisation fees of a comparable nature and scale offered by an Independent Third Party within a month. The Board shall also review the reasonableness and fairness of the rental and mobilisation fees paid to CW Cranes on quarterly basis. Our Directors consider that the above procedures can ensure that the transactions under the Master Agreement will be conducted on normal commercial terms and not prejudicial to the interests of our Company and its minority Shareholders after Listing.

It is expected that the aggregate rental and mobilisation fees payable to CW Cranes for the financial year ending 31 March 2016 will not exceed the annual cap of approximately HK\$8.9 million. The annual cap was determined by making reference to (i) the historical monthly rental and mobilisation fees for renting the relevant machineries by the Group from CW Engineering and CW Cranes; (ii) the number of projects have been tendered or to be tendered which require the use of CW Cranes's machineries; (iii) the expected leasing period/times of the machineries to be rented by Yee Hop Engineering or Y.H. Foundations from CW Cranes for the projects to be tendered; (iv) the volume of works of each project to be tendered and the estimation on the time required (including overtime); (v) the expected type and number of machineries to be rented from CW Cranes; and (vi) the prevailing market fees for engaging the same type of services.

Both CW Engineering and CW Cranes are beneficially owned by Mr. Pang Chun Yu Wesley. CW Engineering is an unlimited incorporation whereas CW Cranes is a limited company incorporated in Hong Kong on 29 April 2014. CW Engineering and CW Cranes are engaged in the same business of leasing and mobilisation of machineries. As confirmed by Mr. Pang Chun Yu Wesley, as a matter of his risk management measures, going forward, the leasing and mobilisation of machineries rental contracts will be signed and performed by CW Cranes which is a separate corporate legal entity. Therefore, the Master Agreement was entered into with CW Cranes instead of CW Engineering. Mr. Pang Chun Yu Wesley is a son of Mr. Pang who was a shareholder and director of Y.H. Foundations within the last 12 months from the Latest Practicable Date. Mr. Pang ceased to be a director of Y.H. Foundations since 11 May 2015 and ceased to be a shareholder of Y.H. Foundations since 31 May 2015. As such, Mr. Pang Chun Yu Wesley is a connected person as at the Latest Practicable Date and will cease to be a connected person of the Company with effect from 11 May 2016.

### WAIVER FROM STOCK EXCHANGE

Based on the annual cap as mentioned above, the relevant applicable percentage ratios are less than 25% and the annual consideration is less than HK\$10,000,000. Therefore, under Rule 14A.76(2) of the Listing Rules, the transactions under the Master Agreement are exempted from the independent shareholders' approval requirement but subject to reporting, annual review and announcement requirements as set out in Rule 14A.31, 14A.35, 14A.49, 14A.55, 14A.64, 14A.71 and 14A.76 of the Listing Rules. The Board considers that compliance with the announcement requirement would be unduly burdensome and would add unnecessary administrative costs to our Company. Our Company has applied to the Stock Exchange, and the Stock Exchange has granted, a waiver pursuant to Rule 14A.105 of the Listing Rules to exempt the transactions under the Master Agreement from compliance with the announcement requirements, under Listing Rule 14A.35.

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## CONNECTED TRANSACTIONS

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### **Application for Waiver**

#### *(a) Reasons for the application*

Given that the transactions under the Master Agreement will be carried out on a recurring basis, the Master Agreement was entered into in the ordinary and usual course of business and on normal commercial terms, and that the terms of the Master Agreement and the annual cap as mentioned above are fair and reasonable and in the interests of the Company and Shareholders as a whole, the Company has applied to the Stock Exchange for, and was granted waiver from, strict compliance with the relevant announcement requirement in respect of the transactions under the Master Agreement for the financial year ending 31 March 2016 on the conditions set out below:

- (i) the annual cap amounts for the continuing connected transactions under the Master Agreement for the financial year ending 31 March 2016 as stated above will not be exceeded;
- (ii) the Company will comply with the relevant requirements under Chapter 14A of the Listing Rules in relation to the transactions under the Master Agreement;
- (iii) upon expiry of the waiver granted for the period ending 31 March 2016, the Company will comply with the relevant requirements under Chapter 14A of the Listing Rules; and
- (iv) in the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable provisions under Chapter 14A of the Listing Rules as at the date of this prospectus relating to the continuing connected transactions, the Company will take immediate steps to ensure compliance with such requirements within a reasonable period.

#### *(b) Confirmation from the Directors*

The Directors, including the independent non-executive Directors, confirm that the Master Agreement was entered into on normal commercial terms, in the ordinary and usual course of business and is fair and reasonable to the Group on the basis that the terms of the Master Agreement are no less favourable to the Group than terms offered by Independent Third Parties, and therefore is in the interests of the Company and the Shareholders as a whole. The Directors, including the independent non-executive Directors, are of the view that the annual cap of the transactions under the Master Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

#### *(c) Confirmation from the Sole Sponsor*

The Sole Sponsor is of the view that the Master Agreement was entered into in the ordinary and usual course of business and on normal commercial terms and that the terms of the Master Agreement and the annual cap set out above are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### DIRECTORS AND SENIOR MANAGEMENT

The following table sets forth certain information regarding our Directors and senior management:

Name	Age	Present position(s) in our Company	Date of appointment as Director/ senior management	Date of joining our Group	Brief description of roles and responsibilities
<b>Executive Directors</b>					
Jim Yin Kwan Jackin (詹燕群)	54	Executive Director and Chairman of the Board	12 February 2015	January 1989	Responsible for formulating corporate strategies and planning the business development of our Group
Chui Mo Ming (徐武明)	63	Executive Director and Vice-chairman of the Board	12 February 2015	January 1989	Participating in formulating the corporate business strategies
Yan Chi Tat (甄志達)	48	Executive Director and Chief executive officer	12 February 2015	October 2010	Responsible for formulating corporate and business strategies; and making major operation decisions
Leung Hung Kwong Derrick (梁雄光)	46	Executive Director	12 February 2015	August 2008	Participating in formulating the corporate business strategies
<b>Independent Non-executive Directors</b>					
Lee Luk Shiu (李祿兆)	58	Independent non-executive Director	25 November 2015	November 2015	Providing independent advice to the Board
Yu Hon Kwan (余漢坤)	53	Independent non-executive Director	25 November 2015	November 2015	Providing independent advice to the Board

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Name	Age	Present position(s) in our Company	Date of appointment as Director/ senior management	Date of joining our Group	Brief description of roles and responsibilities
Wong Chi Keung Johnny (王志強)	57	Independent non-executive Director	25 November 2015	November 2015	Providing independent advice to the Board
<b>Senior Management</b>					
Chan King Yip (陳敬業)	41	Project Director	1 January 2012	April 2006	Responsible for the overall project management
Wu Tai Cheung (胡大祥)	58	Company Secretary and Chief Financial Officer	23 June 2015	October 2014	Responsible for the daily work of company secretary and finance affairs
Chui Heung Wing (徐向榮)	56	Contracts Manager	1 September 2009	September 1997	Responsible for the overall contract management
Wong Lok Man Vicko (王洛敏)	35	Environmental and Safety Manager	1 June 2012	November 2007	Responsible for the overall safety and environmental management

### DIRECTORS

The Board currently consists of seven Directors, comprising four executive Directors and three independent non-executive Directors.

The functions and duties of the Board include but not limited to determining business plans and investment plans; preparing annual budget proposals and exercising other powers, functions and duties as conferred by the Articles of Association.

#### Executive Directors

**Mr. Jim Yin Kwan Jackin (詹燕群)**, aged 54, is an executive Director and the Chairman of the Board. He has over 30 years of experience in the engineering and construction industry. Mr. Jim is one of the founders at our Group. Mr. Jim obtained his Bachelor's degree of Science in Quantity Surveying from the University of Reading in July 1985. He obtained his Master's degree of Business Administration in Management from Brighton University in April 1998. Prior to establishing our Group in January 1989, Mr. Jim was a site quantity surveyor of Gammon Construction (HK) Co., Ltd. from September 1985 to June 1988 and he was a director of Right Base Development Limited responsible for business development from July 1988 to March 1992.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Mr. Jim has been holding the following positions under our Group, namely, (i) the director of Yee Hop Engineering since April 1989; (ii) the director of Yee Hop Construction since March 1998; and (iii) the director of Y.H. Foundations since July 2012.

Mr. Jim was a director of the following companies which were incorporated in Hong Kong and were struck off and dissolved pursuant to section 291 of the Predecessor Companies Ordinance which provides that the Registrar of Companies in Hong Kong can strike off a defunct company from the register of companies:

Name of Company	Nature of business	Date of notice of striking off	Date of being struck off
Yee Hop Tunnelling Company Limited	Never commenced business	15 September 2006	19 January 2007
Records Management Services Limited	Record management services	22 July 2011	25 November 2011

**Mr. Chui Mo Ming (徐武明)**, aged 63, is the vice-chairman of the Board and an executive Director. He has over 44 years of experience in the engineering and construction industry. Mr. Chui has been a construction supervisor member of the Hong Kong Institute of Construction Managers since August 2003. Mr. Chui is one of the founders of the Group. Prior to establishing our Group in January 1989, Mr. Chui has been a mechanist and site engineer for various construction companies from 1970 to 1988 where he gained extensive experience in the industry.

Mr. Chui has been holding the following positions under our Group, namely, (i) the director of Yee Hop Engineering since April 1989; (ii) the director of Yee Hop Construction since October 2008; and (iii) the director of Y.H. Foundations since July 2012.

Mr. Chui was a director of the following company which was incorporated in Hong Kong and was struck off and dissolved pursuant to section 291 of the Predecessor Companies Ordinance which provides that the Registrar of Companies in Hong Kong can strike off a defunct company from the register of companies:

Name of Company	Nature of business	Date of notice of striking off	Date of being struck off
Yee Hop Tunnelling Company Limited	Never commenced business	15 September 2006	19 January 2007

**Mr. Yan Chi Tat (甄志達)**, aged 48, is an executive Director and the chief executive officer. He has over 24 years of experience in the engineering and construction industry. Mr. Yan obtained his Bachelor's degree of Science in Quantity Surveying from the South Bank University in July 1992. He has been an associate of The Hong Kong Institute of Surveyors since July 1999 and a professional associate of The Royal Institute of Chartered Surveyors since February 1999. He has also been a Registered Professional Surveyor since July 2004.



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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Prior to joining our Group in October 2010, Mr. Yan was an assistant quantity surveyor in various developer, quantity surveying consultant company and civil works consultant company from August 1992 to July 1995. Mr. Yan was a contracts engineer at the Hong Kong Airport Authority from August 1995 to December 2000, a cost engineer at Kowloon-Canton Railway Corporation from February 2001 to April 2004, a project quantity surveyor at China Overseas (Hong Kong) Limited from April 2004 to January 2005 and a senior quantity surveyor at Paul Y. Management Limited from April 2005 to July 2005. Mr. Yan has been an assistant contracts manager, contracts manager and estimating manager during his employment at China State Construction Limited from July 2005 to October 2010.

**Mr. Leung Hung Kwong Derrick (梁雄光)**, aged 46, is an executive Director. Mr. Leung has been the Technical Director of Yee Hop Engineering for its registration as a Registered General Building Contractor and Registered Specialist Contractor in foundation works category with the Buildings Department since 2008 and 2011 respectively. He has over 24 years of experience in the engineering and construction industry. Mr. Leung obtained his Bachelor's degree of Science in Engineering from the National Taiwan University in June 1990. He obtained his Master's degree of Philosophy in Civil & Structural Engineering from the Hong Kong University of Science & Technology in November 1994. He has been a Registered Professional Engineer (Geotechnical, Structural) since April 2000. He has also been holding the following memberships, namely (i) member of the Institution of Structural Engineers since November 1997; and (ii) member of the Hong Kong Institution of Engineers since May 1998.

Prior to joining our Group in August 2008, Mr. Leung was an assistant civil engineer of Fong On Construction & Engineering Co. Ltd. from April 1991 to September 1991. He has been a geotechnical engineer, assistant resident engineer (geotechnical) and chartered engineer during his employment with Ove Arup & Partners Hong Kong Limited from February 1994 to November 1999. Mr. Leung was also a geotechnical engineer of Maunsell Geotechnical Services Limited from July 1999 to February 2000. Since then till August 2008, he has been a senior engineer and executive engineer of Meinhardt (C&S) Limited.

Mr. Leung was a director of the following companies which were incorporated in Hong Kong and were struck off and dissolved pursuant to section 291 of the Predecessor Companies Ordinance which provides that the Registrar of Companies in Hong Kong can strike off a defunct company from the register of companies company:

<b>Name of Company</b>	<b>Nature of business</b>	<b>Date of notice of striking off</b>	<b>Date of being struck off</b>
LLK Consulting Engineers Limited	Never commenced business	22 October 2010	25 February 2011
LLK Contractors Limited	Never commenced business	12 November 2010	18 March 2011

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### Independent Non-executive Directors

**Mr. Lee Luk Shiu** (李祿兆), aged 58, has over 27 years of experience in commercial accounting and corporate finance. Mr. Lee became a fellow member of the Association of Chartered Certified Accountants in April 2001 and an associate of the Hong Kong Institute of Certified Public Accountants in February 1987. He obtained a Diploma in Business Administration from Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University) in July 1983.

Mr. Lee has worked in the Stock Exchange for around 15 years from 1986 to 1993 and from 1997 to 2005 where his duties included regulating and monitoring the Hong Kong listed companies in relation to their compliance with the Listing Rules and processing new listing applications. His last position with the Stock Exchange was an Assistant Vice President of the Listing Division. Mr. Lee was also a senior consultant of an investment bank for 5 years from 2007 to 2012. He has been an independent non-executive director of Huabao International Holdings Limited (stock code: 336) and Hin Sang Group (International) Holding Co. Ltd. (stock code: 6893) since 1 May 2006 and 25 September 2014 respectively.

**Mr. Yu Hon Kwan** (余漢坤), aged 53, is an independent non-executive Director. Mr. Yu has over 28 years of experience in the construction industry.

Mr. Yu obtained his Bachelor's degree of Science in Quantity Surveying from the University of Reading in July 1985. He has been a Member of the Royal Institution of Chartered Surveyors since November 1989. Mr. Yu was an assistant quantity surveyor of C.S. Toh & Sons & Associates Limited from March 1986 to April 1988 and a senior quantity surveyor and general manager of Sino Land Company Limited from August 1994 to May 1997 and August 2009 to February 2015. Mr. Yu has also been a lecturer (non-clinical) in the Department of Real Estate and Construction of the University of Hong Kong from July 2003 to August 2004.

Mr. Yu was appointed as Justice of the Peace by the Hong Kong Government in July 2010. Mr. Yu actively participates in community service. He has been a member of the Development Bureau – Appeal Tribunal – Buildings Ordinance, Appeal Tribunal Panel (Buildings) since December 2009, the general manager of the Hong Kong Heritage Conservation Foundation Limited since August 2009, a director of the Business Environment Council from June 2011 to February 2015, chairman of the Islands District Council – District Facilities Management Committee since January 2012, chairperson of the Civil Engineering and Development Department – District Participation Group for the Greening Master Plan for Islands District since August 2012 and a director of the Hong Kong Green Building Council from January 2014 to February 2015.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Mr. Yu was a director of the following company which was incorporated in Hong Kong and was dissolved by compulsory winding up pursuant to section 177 of the Predecessor Companies Ordinance which provides that a company may be wound up by the court:

<b>Name of Company</b>	<b>Nature of business</b>	<b>Date of commencement of winding up</b>	<b>Date of being wound up</b>
Action Pro Enterprises Limited	Health club	29 December 1998	22 March 2003

**Mr. Wong Chi Keung Johnny (王志強)**, aged 57, is an independent non-executive Director. Mr. Wong obtained his Bachelor's degree of Laws with Honours from the University of London in August 1983. He obtained his Master's degree of Laws from the same university in November 1986. He has been a solicitor of the High Court of Hong Kong since January 1987, a solicitor of the Supreme Court of England & Wales since July 1990 and a barrister and solicitor of the Supreme Court of the Australia Capital Territory, Australia since October 1990. He joined Messrs. Lo, Wong & Tsui as an assistant solicitor in February 1987 and has become a partner since February 1989, handling general and commercial litigations, conveyancing works, land acquisition and land exchange, real estate development and financing. He also served as an independent non-executive director of SkyOcean International Holdings Limited (formerly known as Allied Overseas Limited), a company listed on the Stock Exchange (stock code: 593) from June 1993 to August 1997.

Mr. Wong has served as a member of the Provisional Regional Council from 1998 to 1999, a member of the Tai Po District Council from 1999 to 2003, a member of the Liquor Licensing Board from January 2000 to January 2004, and a member of the Appeal Tribunal Panel under the Buildings Ordinance from December 2000 to December 2004. He obtained the HKSAR Medal of Honour in October 2002. Mr. Wong was also an appointed member of the Yuen Long District Council from January 2008 to December 2011.

Mr. Wong was a director of the following company which was incorporated in Hong Kong and was struck off and dissolved pursuant to section 291 of the Predecessor Companies Ordinance which provides that the Registrar of Companies in Hong Kong can strike off a defunct company from the register of companies:

<b>Name of Company</b>	<b>Nature of business</b>	<b>Date of notice of striking off</b>	<b>Date of being struck off</b>
Global East Holdings Limited	Restaurant	23 January 2009	29 May 2009

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### Other disclosure pursuant to Rule 13.51(2) of the Listing Rules

Save as disclosed above, each of our Directors (i) did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or controlling shareholders of our Company as at the Latest Practicable Date; and (iii) did not hold any other directorships in listed public companies in the three years prior to the date of this prospectus. Immediately following completion of the Share Offer and the Capitalisation Issue, save as the interests in the Shares which are disclosed in the section headed “Substantial Shareholders” in this prospectus, each of our Directors will not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there were no other matters with respect to the appointment of our Directors that need to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

### SENIOR MANAGEMENT

The business address of each senior management member is Unit 1104-06, Nan Fung Commercial Centre, 19 Lam Lok Street, Kowloon Bay, Hong Kong.

**Mr. Chan King Yip** (陳敬業), aged 41, is the Project Director of our Company. He has over 17 years of experience in handling engineering and construction projects. Mr. Chan obtained his Bachelor’s degree of Science from the University of Hong Kong in December 1997.

Prior to joining our Group in April 2006, Mr. Chan was an assistant engineering geologist and engineering geologist during his employment with Black and Veatch Hong Kong Ltd. (formerly known as Binnie Black and Veatch Hong Kong Ltd.) from June 1997 to June 2005. Mr. Chan was also an engineering geologist of Scott Wilson Ltd. from August 2005 to April 2006.

**Mr. Wu Tai Cheung** (胡大祥), aged 58, is the Chief Financial Officer and Company Secretary of our Company. He has over 16 years of experience in accounting and corporate finance.

Mr. Wu obtained his Bachelor’s degree of Arts in Accountancy from the University of Bolton (formerly known as the Bolton Institute of Higher Education) in October 2002 and Master’s degree of Business Administration from the University of Newcastle, Australia in December 2004. He has also been holding the following memberships, namely (i) member of the Hong Kong Institute of Certified Public Accountants since October 2003; (ii) associate of the Taxation Institute of Hong Kong since November 2003; (iii) fellow of the Association of Chartered Certified Accountants since December 2007 (member of the same association since December 2002); (iv) associate of the Hong Kong Institute of Chartered Secretaries since October 2008; and (v) associate of the Institute of Chartered Secretaries and Administrators since October 2008.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Prior to joining our Group in October 2014, he has worked in Peat, Marwick, Mitchell & Co. (later merged into KPMG) since October 1977 and was an assistant manager when he left in May 1985. He served as a financial controller and company secretary in Zhongda International Holdings Ltd. (stock code: 909) from April 2002 to March 2004, financial controller and company secretary in Zhejiang Shibao Company Limited (stock code: 1057) from April 2005 to September 2006, company secretary and head of internal audit in Pacific Textiles Holdings Ltd. (stock code: 1382) from October 2006 to March 2010, and a chief financial officer and company secretary in China Vehicle Components Technology Holdings Limited (stock code: 1269) from October 2011 to February 2012. He is currently the joint company secretary of Shenyang Public Utility Holdings Company Limited (stock code: 747). Mr. Wu served as an independent non-executive director of BEP International Holdings Limited (stock code: 2326) from January 2006 to October 2007. Save and except Peat, Marwick, Mitchell & Co., the aforesaid companies are listed on the Main Board of the Stock Exchange.

**Mr. Chui Heung Wing (徐向榮)**, aged 56, is the Contracts Manager of our Company. He has been the Authorised Signatory of Yee Hop Engineering under its registration as a Registered General Building Contractor and Registered Specialist Contractor in foundation works category with the Buildings Department since 2008 and 2013 respectively. He has over 35 years of experience in the construction industry. Mr. Chui Heung Wing obtained his Diploma in Structural Engineering in November 1979 and Higher Certificate in Structural Engineering in November 1981 both from the Hong Kong Polytechnic University (formerly known as the Hong Kong Polytechnic) and Bachelor's degree of Civil Engineering from the Washington InterContinental University in October 2003. He has been a chartered building engineer of the Chartered Association of Building Engineers since January 2014. He has also been one of the Authorised Signatories of the Registered General Buildings Contractors and the Registered Specialist Contractors in the foundation works category of the Buildings Department since May 2008 and March 2013 respectively. He has also been holding the following memberships, namely (i) member of the Chartered Association of Building Engineers since January 2014; (ii) member of the Australian Institute of Building since December 2010; (iii) chartered environmentalist of the Society for the Environment since October 2011; and (iv) corporate member of the Society of Environmental Engineers since July 2010. He has also obtained the ISO 14001:2004 Environmental Management System Internal Auditor Training at the Hong Kong Certification Services Ltd from September to December 2005. He has completed the Lead Assessor course of Quality Assurance from BSI Quality Assurance in June 1993 and a visiting lecturer of the Hong Kong Polytechnic University, Institute for Enterprise in July 2003.

Prior to joining our Group in September 1997, Mr. Chui Heung Wing worked as a foreman, works supervisor and site agent in various construction companies from August 1979 to March 1987. He was a section engineer of Hopewell Costain Ltd. from May 1987 to July 1988. Mr. Chui Heung Wing was a site engineer when he joined Gammon Construction Ltd. in November 1998 and his last position was a site agent when he left in July 1994. From October 1995 to August 1997, Mr. Chui Heung Wing was a deputy project manager of Wai Kee (Zens) Construction & Transport Co., Ltd.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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**Ms. Wong Lok Man Vicko (王洛敏)**, aged 35, is the Environmental and Safety Manager of our Company. She has over 12 years of experience in industrial safety industry. Ms. Wong obtained her Diploma in Occupational Health & Safety from the Open University of Hong Kong in January 2005 and Bachelor's degree of Science in Environmental and Occupational Safety & Health from the Hong Kong Polytechnic University in October 2013. She has been a registered safety officer under the Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulations since December 2006 and a safety auditor since March 2015. She has also been holding the following memberships, namely (i) chartered building engineer of the Chartered Association of Building Engineer since January 2014; and (ii) full member of the International Institute of Risk and Safety Management since May 2014.

Ms. Wong has also obtained other relevant certificates such as the Occupational Health and Safety Council Certificate for Safety & Health Supervisor (Construction) in July 2002, the Certificate of Occupational Safety and Health Trainer in February 2004, the Occupational Health and Safety Council Combined Certificate for Safety, Health & Environmental Supervisor (Construction) in June 2005, the Certificate of Site Audit Inspection Standards (Safety & Roadwork Obligations) Course – Highways Department in 2010, the Certificate of Occupational Health and Safety Council Fire Prevention (Construction Industry) in March 2010, the Certificate of Supervision of Tree Works Course in June 2011, the Certificate of Continuing Professional Development for ISO 14001:2004 Environmental Management System Introduction and Internal Auditing in October 2012, the Certificate of Competence in Display Screen Equipment Assessment - Occupational Safety & Health Council in November 2013 and the Certificate of Attendance of BEAM Plus – Roles and Responsibilities of Contractors in October 2013.

Ms. Wong has also attended the following courses: Work Supervisor Safety Training Course (Marine Construction) in May 2008, Managing Noise at Work in May 2010, Construction Industry Safety Climate Index Survey Workshop in June 2010, Safety and Health Regulations for Working on Construction Site and New Development in March 2010, Occupational Health and Safety Council Legionnaires' Disease and its Prevention in January 2010, and the Safety Auditor Training Scheme in 2014.

Prior to joining our Group in November 2007, Ms. Wong served as a safety supervisor in China Road and Bridge Corporation from February 2002 to April 2004; an assistant safety officer in Sino Top Asia Limited from June 2004 to February 2006; and a safety officer in Shun Hing Refrigerator Air-Conditioning Engineering Ltd. from March 2006 to October 2007.

None of our senior management has any relationship with any Director, senior management, substantial shareholder or controlling shareholder of our Company. Also, none of the courses attended by our Directors or senior management was long distance learning courses or online courses.

### COMPANY SECRETARY

Mr. Wu is the company secretary of our Company. Please refer to the paragraph headed "Senior management" in this section for his biography.

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## **DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

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### **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

We are committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, we will comply with the code provisions set out in the Corporate Governance Code in Appendix 14 to the Listing Rules after the Listing.

### **BOARD COMMITTEES**

#### **Audit committee**

We have established an audit committee on 25 November 2015. On 25 November 2015, the audit committee approved the written terms of reference in compliance with the Listing Rules, which will come into effect upon the Listing. The audit committee consists of all the independent non-executive Directors, namely, Mr. Lee Luk Shiu, Mr. Yu Hon Kwan and Mr. Wong Chi Keung Johnny. Mr. Lee Luk Shiu is the chairman of the audit committee. The primary duties of the audit committee are, among other things, to review and supervise the financial reporting process and the internal control systems of our Group.

#### **Remuneration committee**

We have established a remuneration committee on 25 November 2015. On 25 November 2015, the remuneration and performance assessment committee approved the written terms of reference in compliance with the Listing Rules, which will come into effect upon the Listing. The remuneration committee consists of four members, namely, Mr. Yu Hon Kwan, Mr. Lee Luk Shiu, Mr. Wong Chi Keung Johnny and Mr. Jim. Mr. Yu Hon Kwan is the chairman of the remuneration committee. The primary duties of the remuneration committee are to make recommendations to the Board on the remuneration of the Directors and senior management of our Company, determine on behalf of the Board specific remuneration packages and conditions of employment for the Directors and senior management of our Company, and to assess the performance of the Directors and senior management of our Company.

#### **Nomination Committee**

We have established a nomination committee on 25 November 2015. On 25 November 2015, the nomination committee has approved the written terms of reference in compliance with the Listing Rules, which will come into effect upon the Listing. The primary duties of the nomination committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board. The nomination committee consists of four members, namely, Mr. Jim, Mr. Lee Luk Shiu, Mr. Wong Chi Keung Johnny, and Mr. Yu Hon Kwan. Mr. Yu Hon Kwan is the chairman of the nomination committee.

### **DIRECTORS' COMPENSATION**

For each of the three years ended 31 March 2013, 2014, 2015 and the four months ended 31 July 2015, the aggregate amount of fees, salaries, allowances, discretionary payments, bonuses and contribution to pension schemes paid by our Company to our Directors were approximately HK\$3.3 million, HK\$4.6 million, HK\$6.8 million and HK\$2.0 million,

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## **DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

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respectively. It is estimated that under the arrangements currently in force, the aggregate compensation (including directors' fee, basic salary, allowance, non-cash benefit and retirement scheme contribution) payable to our Directors (including the independent non-executive Directors) for the year ending 31 March 2016 will be approximately HK\$8.9 million. We have maintained relevant liability insurance for our Directors.

As part of the emoluments of the employment of Mr. Jim, Yee Hop Engineering purchased a non-interest bearing debenture issued by International Christian School in the amount of HK\$1 million in August 2009 in the name of Yee Hop Engineering. The debenture was purchased for the benefit of Mr. Jim's child and would be refunded upon the graduation of Mr. Jim's child.

The remuneration paid by our Company to our top five highest paid individuals (excluding our Directors) for each of the three years ended 31 March 2013, 2014, 2015 and the four months ended 31 July 2015 were approximately HK\$2.3 million, HK\$0.8 million, HK\$1.2 million and HK\$0.4 million, respectively.

During the Track Record Period, no remuneration was paid by our Company to, or receivable by, the Directors or our five highest paid individuals as an inducement to join or upon joining our Company. No compensation was paid by our Company to, or receivable by, the Directors, past Directors or our five highest paid individuals for the loss of any office in connection with the management of the affairs of any subsidiary of our Company during the Track Record Period.

During the Track Record Period, none of our Directors waived any emoluments. Save as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors or our five highest paid individuals during the Track Record Period.

Under the remuneration policy of our Company, the remuneration committee will consider factors, such as salaries paid by comparable companies, tenure, commitment, responsibilities and performance, in assessing the amount of remuneration payable to our Directors, senior management and employees.

### **EMPLOYEES**

As at the Latest Practicable Date, our Group had 357 directly employed full-time staff, all located in Hong Kong. For details, please refer to the paragraph headed "Business – Employees" in this prospectus.

### **EMPLOYEES' RELATIONS**

We maintain good working relations with our staff. We have not experienced any significant problems with the recruitment and retention of experienced employees. In addition, we have not suffered from any material disruption of our normal business operations as a result of labour disputes or strikes. The remuneration payable to our employees includes salaries, discretionary bonuses and commission.



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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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As required by the employment laws in Hong Kong, our Group participates in a provident fund scheme registered under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all our eligible employees in Hong Kong. We contribute 5% of our employees' relevant income per month as required under the ordinance subject to a maximum of HK\$1,500 per employee (commencing from 1 June 2014). Contributions from us are 100% vested in each employee immediately but, subject to limited exceptions, all benefits derived from the mandatory contributions must be preserved until the employee reaches the retirement age of 65 or ceases employment and the employee declares not to become employed or self-employed within the foreseeable future. We also provide medical insurance and labour insurance for each of our Hong Kong staff.

Bonuses are generally discretionary and based on the overall performance of our Group's business. We believe that its employee relations are satisfactory in general. We believe that the management policies, working environment, career prospects and benefits extended to its employees have contributed to employee retention and building of amicable employee relations.

### COMPLIANCE ADVISOR

We have appointed Ping An of China Capital as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise us in the following circumstances:

- before our publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction under the Listing Rules, is contemplated, including share issues and share repurchases;
- where we have proposed to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where our Group's business activities, developments or results of operation deviate from any forecast, estimate or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of the Shares or any other matters under Rule 13.10 of the Listing Rules.

The term of the appointment shall commence on the Listing Date and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date (i.e. the date of despatch of the annual reports of our Company in respect of our results for the financial year ending 31 March 2017), subject to early termination.

The compliance advisor shall provide us with services, including guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines, and to act as one of our principal channels of communication with the Stock Exchange.

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## SHARE CAPITAL

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The following table is prepared on the basis that the Capitalisation Issue and the Share Offer have become unconditional. This table, however, takes no account of any Shares which may be allotted and issued by our Company pursuant to the exercise of the Adjustment Options and any options which may be granted under the Share Option Scheme and 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.

**Authorised share capital:**

<u>1,560,000,000</u>	Shares of HK\$0.01 each	<u>HK\$15,600,000</u>
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**Shares in issue or to be issued, fully paid or credited as fully paid:**

100	Shares in issue at the date of this prospectus	HK\$1
374,999,900	Shares to be issued under the Capitalisation Issue <i>(Note)</i>	HK\$3,749,999
125,000,000	Shares to be issued under the Share Offer <i>(Note)</i>	HK\$1,250,000
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**Total:**

<u>500,000,000</u>	Shares in total	<u>HK\$5,000,000</u>
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*Note:* Pursuant to the written resolutions of the sole Shareholder passed on 25 November 2015, conditional upon the share premium account of our Company being credited as a result of the Share Offer, the Directors were authorised to capitalise the amount of HK\$3,749,999 from the amount standing to the credit of the share premium account of our Company and to apply HK\$3,749,999 to pay up in full at par 374,999,900 Shares for allotment and issue to YH Assets.

Assuming any of the Adjustment Options is exercised in full, the issued share capital of our Company immediately after completion of the Capitalisation Issue and the Share Offer will be HK\$5,187,500 divided into 518,750,000 Shares.

### MINIMUM PUBLIC FLOAT

The minimum level of public float to be maintained by our Company at all times after Listing under the Listing Rules is 25% of its share capital in issue from time to time.

### RANKING

The Offer Shares, including the additional Shares which may be issued pursuant to the Adjustment Options, will rank pari passu in all respects with all Shares in issue or to be issued as mentioned herein, and will qualify for all dividends or other distributions declared, made or paid after the date of this prospectus, save for entitlements under the Capitalisation Issue.

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## SHARE CAPITAL

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### SHARE OPTION SCHEME

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

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

### GENERAL MANDATE

Subject to the conditions set forth in the paragraph headed “Structure and Conditions of the Share Offer – Conditions of the Share Offer” in this prospectus being fulfilled, our Directors have been granted a general unconditional mandate 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 upon exercise of any subscription rights attached to any warrants or convertible securities or pursuant to the exercise of any options which might be granted under the Share Option Scheme or any other option scheme(s) or other similar arrangements or under the Share Offer or any scrip dividends in accordance with the Articles or a specific authority granted by the Shareholders, Shares or securities or options convertible into Shares and to make and grant offers and agreements which would or might require Shares to be allotted with an aggregate nominal value not exceeding the sum of:

- 20% of the aggregate nominal value of our share capital in issue as enlarged by the Share Offer and the Capitalisation Issue (excluding Shares which may be issued under the Adjustment Options or pursuant to the exercise of options under the Share Option Scheme); and
- the aggregate nominal amount of our share capital repurchased under the authority granted by us to our Directors pursuant to the Repurchase Mandate referred to below (if any).

This general mandate will remain in effect until:

- the conclusion of our next annual general meeting;
- the expiration of the period within which our next annual general meeting is required by the Memorandum and the Articles or any applicable law to be held; or
- the revocation or variation by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please refer to the paragraph headed “A. Further information about our Company – 4. Written resolutions of the sole Shareholder” in Appendix IV to this prospectus.

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## SHARE CAPITAL

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### REPURCHASE MANDATE

Subject to the conditions set forth in the paragraph headed “Structure and Conditions of the Share Offer – Conditions of the Share Offer” in this prospectus being fulfilled, our Directors have been granted a general unconditional mandate to exercise all our powers to repurchase on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of our share capital in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding Shares which may be issued under the Adjustment Options or pursuant to the exercise of options under the Share Option Scheme).

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

- the conclusion of our next annual general meeting;
- the expiration of the period within which our next annual general meeting is required by the Memorandum and the Articles or any applicable law to be held; or
- the revocation or variation by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this repurchase mandate, please refer to the paragraph headed “A. Further Information about our Company – 4. Written resolutions of the sole Shareholder” in Appendix IV to this prospectus.

### CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

The circumstances under which general meeting and class meeting are required are provided in the Articles of Association. For details, please see the section headed “Summary of the Constitution of our Company and the Cayman Islands Company Law” in Appendix III to this prospectus.

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## SUBSTANTIAL SHAREHOLDERS

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### SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Share Offer and the Capitalisation Issue, without taking into account any Shares which may be issued pursuant to the exercise of the Adjustment Options and any options that may be granted under the Share Option Scheme, the following persons will have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or are directly and/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:

#### Long position in the Shares

Name of Shareholder	Capacity/ nature of interest	Number of Shares	Approximate percentage of interests
YH Assets <sup>(Note)</sup>	Beneficial owner	375,000,000	75%
JJ1318 <sup>(Note)</sup>	Interest in controlled corporation	375,000,000	75%
Mr. Jim <sup>(Note)</sup>	Interest in controlled corporation	375,000,000	75%
MM1318 <sup>(Note)</sup>	Interest in controlled corporation	375,000,000	75%
Mr. Chui <sup>(Note)</sup>	Interest in controlled corporation	375,000,000	75%

*Note:*

YH Assets is beneficially owned as to 51% by JJ1318 and as to 49% by MM1318. JJ1318 is in turn 100% beneficially owned by Mr. Jim and MM1318 is in turn 100% beneficially owned by Mr. Chui. Accordingly, each of Mr. Jim, Mr. Chui, JJ1318 and MM1318 are deemed to be interested in the Shares held by YH Assets under the SFO.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following completion of the Share Offer and the Capitalisation Issue but taking no account of the Shares to be issued pursuant to options which may be granted under the Share Option Scheme, have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, who will, directly or indirectly, be interested in 10% 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 and are therefore regarded as substantial shareholders under the Listing Rules.

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## FINANCIAL INFORMATION

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*You should read the following discussion and analysis of our Group's financial position and results of operations together with our audited combined financial information as at 31 March 2013, 2014, 2015 and 31 July 2015 and for each of the years ended 31 March 2013, 2014, 2015 and for the four months ended 31 July 2015 and the accompanying notes included in the Accountants' Report set out in Appendix I to this prospectus. The Accountants' Report has been prepared in accordance with HKFRS. Prospective investors should read the whole of the Accountants' Report set out in Appendix I to this prospectus and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected in the forward-looking statements. For additional information regarding these risks and uncertainties, please refer to the section headed "Risk Factors" in this prospectus.*

### OVERVIEW

Our Group is an established contractor in Hong Kong and are principally engaged in the provision of (i) foundation works, including the construction of mini-piles, rock-socketed steel H-piles and driven steel H piles, and other civil works, including site formation works and roads and pavement works; and (ii) tunneling works, including pipe jacking, hand dig tunnel and cut-and-cover tunnel works.

During the Track Record Period, we undertook foundation works in mainly infrastructure related projects in the public sector and building related projects in the private sector, as either the main contractor or a subcontractor while we undertook other civil works projects as either the main contractor or a subcontractor. As for our tunneling works, we mainly acted as the main contractor for public utility companies, in particular the electricity supply companies, and/or as a subcontractor.

During each of the years ended 31 March 2013, 2014, 2015 ("FY2013", "FY2014" and "FY2015" respectively) and the four months ended 31 July 2015, our Group recorded total revenue of approximately HK\$321.0 million, HK\$404.4 million, HK\$577.3 million and HK\$251.1 million respectively. During the same period, the profit and total comprehensive income of our Group was approximately HK\$22.2 million, HK\$24.2 million, HK\$86.6 million and HK\$41.8 million respectively. During the Track Record Period, the revenue generated from foundation and other civil works accounted for approximately 67.2%, 56.7%, 51.7% and 68.4% of our total revenue in the respective period while the revenue generated from tunneling works accounted for the remaining approximately 32.8%, 43.3%, 48.3% and 31.6% of our total revenue in the respective period.

For further information about our business and operations, please refer to the section headed "Business" of this prospectus.

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## FINANCIAL INFORMATION

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### RECENT DEVELOPMENTS OF OUR GROUP SUBSEQUENT TO THE TRACK RECORD PERIOD

Our Group's business model and revenue and cost structure remained unchanged since 31 July 2015. Based on our unaudited management accounts for the three months ended 31 October 2015, our unaudited revenue for the three months ended 31 October 2015 was relatively higher as compared to the monthly revenue in FY2015.

As disclosed in the paragraph headed "Risk Factors — Risks Relating to Our Business — Our historical results may not be indicative of our future revenue and profit margin" in this prospectus, given that our construction business is project-based, we may not be able to sustain our historical gross profit and gross profit margin for various reasons, including but not limited to, our Group's ability to devise cost saving construction process which is acceptable by our customers, timing of recognition of cost and revenue in different construction stages and the outcome of the negotiation of value of variation works or final accounts with our customers. In FY2015, our gross profit margin amounted to approximately 28.1% which was increased from approximately 17.7% in FY2014. Such increase in gross profit margin in FY2015 was mainly attributable to the substantial completion of two projects with relatively higher gross profit margin in FY2015 than in FY2014. For more details, please refer to section headed "Financial Information — Period to period comparison of results of operations" in this section below. Our Directors currently expect that our gross profit margin and net profit will probably decrease for the year ending 31 March 2016 as the reasons for the increase in our gross profit margin in FY2015 were mainly project specific and/or non-recurring in nature and such effects may not occur in the year ending 31 March 2016. Furthermore, although our Directors currently do not expect there will be significant decreases in the gross profit margins of our Group's projects in progress for the year ending 31 March 2016 compared to those during the year ended 31 March 2015, our Group will probably be unable to sustain the approximately 28.1% gross profit margin in FY2015 due to the timing of recognition of cost and revenue in different construction stages of projects in progress or awarded after the Track Record Period. For the four months ended 31 July 2015, our gross profit margin amounted to approximately 27.3%.

As at 31 October 2015, our total indebtedness amounted to approximately HK\$29.3 million. In August and November 2015, our Group declared and paid dividends of HK\$42.0 million and HK\$30.0 million respectively out of our internal financial resources. Our Group further declared an interim dividend of HK\$30.0 million in November 2015 and subsequently paid in December 2015 out of our internal financial resources.

As far as our Directors are aware, there was no material change from 31 July 2015 up to the date of this prospectus in the general conditions in the markets that our Group operates in that has affected or would affect our Group's business operations or financial conditions materially and adversely.

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## FINANCIAL INFORMATION

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### **BASIS OF PREPARATION OF FINANCIAL INFORMATION**

Our Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law on 12 February 2015. Its ultimate holding company and immediate holding company is YH Assets, incorporated in BVI. Pursuant to the Reorganisation, our Company became the holding company of the companies now comprising our Group on 26 March 2015. Our Group has been under the control and beneficially owned by Mr. Jim and Mr. Chui throughout the Track Record Period or since their respective dates of incorporation or establishment up to 31 July 2015. Our Group comprising our Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the financial information in the Accountants' Report included as Appendix I to this prospectus has been prepared on the basis as if our Company had always been the holding company of the companies now comprising our Group throughout the Track Record Period, using the principles of merger accounting as set out in note 3 to the Accountants' Report contained in Appendix I to this prospectus.

### **FACTORS AFFECTING THE FINANCIAL POSITION AND RESULTS OF OPERATIONS**

We believe the most significant factors that directly or indirectly affect our financial position and results of operations include:

#### **Our construction projects are non-recurrent in nature**

Our Group is principally engaged in the construction industry in Hong Kong focusing on the provision of foundation and other civil works; and tunneling works. Our services are provided on a project-by-project and non-recurring basis, thus we do not have any long term commitments with our customers and the number of our customers may vary from year to year. As at the Latest Practicable Date, we had 17 projects in progress. Upon completion of these on-going contracts, in the event that our Group is unable to secure new contracts or has not commenced work for any of our new contracts, our revenue and financial performance may be adversely affected. Therefore, our future growth and success depends on our ability to continue securing tenders and contract awards. If our customers do not provide us with new businesses after completion of current projects or if we are not able to seek for new customers, our future revenue and profit would be adversely affected.

#### **Market conditions and trends in the construction industry and in the overall economy**

We derived all of our revenue from foundation and other civil works; and tunneling works in Hong Kong during the Track Record Period. The market demand for our services depends on the market conditions and trends in the construction industry and in the overall economy. The continued availability of large construction projects, and the nature, extent and timing of such projects will be determined by a variety of factors such as the land supply in Hong Kong and public housing policy, the government budgets, the investment of property developers and the general conditions and prospects of Hong Kong's economy. If the overall value and number of construction projects in Hong Kong decrease, the demand for our services may reduce and our operations and profitability may be adversely affected.



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### **Fluctuations in construction material costs**

Our principal construction materials include cement and concrete; and steel. During the Track Record Period, the costs of construction materials and accessories incurred were approximately HK\$83.1 million, HK\$136.0 million, HK\$147.7 million and HK\$58.1 million respectively, representing approximately 31.9%, 40.9%, 35.6% and 31.8% of our total cost of services, respectively. Generally, we prepare tenders based on our estimated project costs plus a mark-up margin. However, the related actual material costs will not be ascertained when we prepare tenders or quotations. Any unexpected material fluctuations in the costs of our principal construction materials during the course of execution of our projects may affect our profitability. Please refer to the paragraph headed “Cost of services” in this section of this prospectus for the sensitivity analysis on the impact of hypothetical fluctuations in the costs of cement and concrete; and steel on our profit before tax for each of the financial year/period during the Track Record Period.

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

### **Timely settlement by our customers**

We normally apply for progress payments each month, and subsequently receive progress payments from our customers. A progress payment is generally made monthly by reference to the value of works done in that month. A portion of the contract value (which is generally subject to a maximum of 5% of the total contract value) is usually withheld by our customers as retention money. As at 31 March 2013, 2014, 2015 and 31 July 2015, retention receivables of approximately HK\$14.1 million, HK\$29.3 million, HK\$35.9 million and HK\$44.1 million respectively were retained by our customers.

Progress payments will not always be paid to us on time and in full. The retention money or any future retention money may not be paid by our customers to us on a timely basis and in full due to the examination process of completed works, which may give rise to disputes. When there is a significant delay in the examination process or dispute arises with respect to the works completed, there may be delays in payments. Further, our customers tend to make changes to the original design or require additional services through variation orders. However, the additional works carried out by us may not be fully covered under the scope of variation orders set out in the original contract sum. There are occasions that additional fees cannot be determined or agreed upon with our customers generally throughout the various stages of the project. Thus we may only receive part of progress payment during the course of the project. Any failure by our customers to make payment on time or in full may have an adverse effect on our future liquidity position.

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### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our Group's significant accounting policies, which are relevant for the discussion and analysis of our financial condition and results of operations as included in this prospectus, are set forth in details in note 3 to the Accountants' Report set out in Appendix I to this prospectus. Critical accounting policies are those that are most important to the portrayal of our Group's results of operations and financial position and require management to exercise its judgement in the process of applying our Group's accounting policies. The assumptions and estimates are made based on historical experience and various other assumptions that we believe to be reasonable, the results of which form the basis of judgments on our carrying amounts of assets and liabilities and our results. We believe the following critical accounting policies involve the most significant estimates and judgments used in the preparation of our Group's financial statements.

#### **Significant accounting policies**

##### *Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable for services provided in the normal course of business and net of discounts and sales related taxes.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income from financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Revenue recognition for construction contracts in relation to building construction, upgrade services of the infrastructure and foundation works included in the segment of alteration, renovation, upgrading and fitting out works is set out in the paragraph headed "Construction contracts" below.

Rental income from operating lease is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Service income is recognised when services are provided.

##### *Construction contracts*

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

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Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the combined statement of financial position as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the combined statement of financial position under trade and other receivables. Progress billings not yet paid by customers and retention receivables are included in current assets as the Group expects to realise these within its normal operating cycle.

### *Leasing*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

### *The Group as lessor*

Amounts due from lessees under finance leases are recognised 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.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

### *The Group as lessee*

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the combined statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

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Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### *Leasehold land and building*

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating lease in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as prepaid lease payments in the combined statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

### *Property, plant and equipment*

Property, plant and equipment are stated in the combined statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets over their estimated useful lives, using the straight line method for the property, plant and equipment. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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### Key sources of estimation uncertainty

The key assumptions concerning the future, and key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are set out in note 4 to the Accountants' Report contained in Appendix I to this prospectus.

### SUMMARY OF COMBINED FINANCIAL AND OPERATING DATA

The following combined statement of profit or loss and other comprehensive income of our Group for the Track Record Period is extracted from, and should be read in conjunction with, the audited combined statements of profit or loss and other comprehensive income, together with the accompanying notes, in the Accountants' Report set forth in Appendix I to this prospectus.

	Year ended 31 March			Four months ended 31 July	
	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i>
Revenue	320,991	404,371	577,333	185,234	251,079
Cost of services	<u>(260,390)</u>	<u>(332,920)</u>	<u>(415,259)</u>	<u>(123,852)</u>	<u>(182,420)</u>
Gross profit	60,601	71,451	162,074	61,382	68,659
Other income	5,648	3,566	6,594	3,020	1,022
Administrative expenses	(38,169)	(44,071)	(60,700)	(14,433)	(18,806)
Finance costs	<u>(1,515)</u>	<u>(2,042)</u>	<u>(1,767)</u>	<u>(510)</u>	<u>(473)</u>
Profit before taxation	26,565	28,904	106,201	49,459	50,402
Taxation	<u>(4,405)</u>	<u>(4,723)</u>	<u>(19,555)</u>	<u>(8,734)</u>	<u>(8,590)</u>
Profit and total comprehensive income for the year/period	<u><u>22,160</u></u>	<u><u>24,181</u></u>	<u><u>86,646</u></u>	<u><u>40,725</u></u>	<u><u>41,812</u></u>
Profit and total comprehensive income attributable to:					
Owners of the Company	21,504	24,332	86,001	41,211	41,840
Non-controlling interests	<u>656</u>	<u>(151)</u>	<u>645</u>	<u>(486)</u>	<u>(28)</u>
	<u><u>22,160</u></u>	<u><u>24,181</u></u>	<u><u>86,646</u></u>	<u><u>40,725</u></u>	<u><u>41,812</u></u>
Earnings per share					
Basic and diluted	<u><u>N/A</u></u>	<u><u>N/A</u></u>	<u><u>N/A</u></u>	<u><u>N/A</u></u>	<u><u>N/A</u></u>

### DISCUSSION ON CERTAIN KEY INCOME STATEMENT ITEMS

During the Track Record Period, our Group recorded revenue of approximately HK\$321.0 million, HK\$404.4 million, HK\$577.3 million and HK\$251.1 million respectively;

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and for the same periods, our Group recorded a net profit after taxation of approximately HK\$22.2 million, HK\$24.2 million, HK\$86.6 million and HK\$41.8 million, respectively.

### REVENUE

During the Track Record Period, our revenue was derived from (i) foundation and other civil works; and (ii) tunneling works. The following table sets forth a breakdown of our revenue by segment:

	For the year ended 31 March						For the four months ended 31 July					
	2013		2014		2015		2014		2015			
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%		
Foundation and other civil works	215,754	67.2	229,102	56.7	298,757	51.7	117,335	63.3	171,819	68.4		
Tunneling works	105,237	32.8	175,269	43.3	278,576	48.3	67,899	36.7	79,260	31.6		
	<u>320,991</u>	<u>100.0</u>	<u>404,371</u>	<u>100.0</u>	<u>577,333</u>	<u>100.0</u>	<u>185,234</u>	<u>100.0</u>	<u>251,079</u>	<u>100.0</u>		

Our Group engaged in construction projects from both public and private sectors. Public sector projects refer to projects where the ultimate employer(s) are government departments, public utility companies and statutory bodies while private sector projects refer to projects where the ultimate employer(s) are property developer(s), builder(s) and contractor(s). The following table sets forth the revenue generated from private and public sector projects in each financial year:

	For the year ended 31 March						For the four months ended 31 July					
	2013		2014		2015		2014		2015			
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%		
Public sector projects	214,477	66.8	198,124	49.0	288,775	50.0	71,207	38.4	104,510	41.6		
Private sector projects	106,514	33.2	206,247	51.0	288,558	50.0	114,027	61.6	146,569	58.4		
	<u>320,991</u>	<u>100.0</u>	<u>404,371</u>	<u>100.0</u>	<u>577,333</u>	<u>100.0</u>	<u>185,234</u>	<u>100.0</u>	<u>251,079</u>	<u>100.0</u>		

Revenue of our Group from construction works is recognised based on the stage of completion of the contracts. Our Group submits payment applications to our customers usually on a monthly basis. The monthly cut-off date of such payment applications is normally specified in the contracts. Typically, our customers, or authorised persons employed by our customers in the case of us being a main contractor, certify the value of the works completed, which may include variation works and claims, if any, and our customers arrange settlement in respect of the portion of construction works completed.

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### COST OF SERVICES

Cost of services include costs of materials and accessories, staff costs, subcontracting fee, depreciation and other direct costs. The following table sets forth a breakdown of our cost of services during the Track Record Period:

Cost of services	For the year ended 31 March						For the four months ended 31 July			
	2013	2014		2015		2014	2015			
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Materials and accessories	83,114	31.9	136,013	40.9	147,730	35.6	47,023	38.0	58,068	31.8
Staff costs	80,235	30.8	82,968	24.9	98,077	23.6	27,920	22.5	40,892	22.4
Subcontracting fee	53,001	20.4	51,900	15.6	94,008	22.6	31,565	25.5	46,356	25.4
Depreciation	7,136	2.7	15,257	4.6	22,365	5.4	7,269	5.9	8,894	4.9
Other direct costs	<u>36,904</u>	<u>14.2</u>	<u>46,782</u>	<u>14.0</u>	<u>53,079</u>	<u>12.8</u>	<u>10,075</u>	<u>8.1</u>	<u>28,210</u>	<u>15.5</u>
<b>Total</b>	<b><u>260,390</u></b>	<b><u>100.0</u></b>	<b><u>332,920</u></b>	<b><u>100.0</u></b>	<b><u>415,259</u></b>	<b><u>100.0</u></b>	<b><u>123,852</u></b>	<b><u>100.0</u></b>	<b><u>182,420</u></b>	<b><u>100.0</u></b>

Our most significant costs of services are costs of materials and accessories and staff costs. During the Track Record Period, the cost of materials and accessories accounted for approximately 31.9%, 40.9%, 35.6% and 31.8% of our total costs of services, respectively; and during the same period, the staff costs accounted for approximately 30.8%, 24.9%, 23.6% and 22.4% of our total cost of services, respectively. The proportion of construction materials and accessories and staff costs in cost of services depends on, among other factors, the nature, design, and requirements of our projects which vary from project to project. Material and accessories costs mainly represent the costs for purchase of cement and concrete; and steel. Staff costs represent the salaries, wages and other benefits provided for our workers who are directly involved in the projects.

Our Group also engages subcontractors for parts of the works of our contract, such as shoring installation, road works, fabrication of structural steel members, fencing installation, erection of site office and flexible paving and finishes works.

Other direct costs include, but not limited to; (i) insurance expenses for the employees' compensation insurance and contractor's all risk insurance; (ii) consultancy fees of a project; and (iii) others such as site overhead, electricity and water consumed, hiring expenditure of construction machineries, testing expenses for machineries and materials.

During the Track Record Period, the aggregate amount of materials and accessories and staff costs accounted for approximately 62.7%, 65.8%, 59.2% and 54.2% of our total cost of services, respectively. Fluctuations in materials and accessories and staff costs and our ability to include appropriate cost estimates in tendering process or preparation of quotations and to pass on any cost escalations to our customers will affect our profitability.

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The following sensitivity analysis illustrates the impact of hypothetical changes, based on historical fluctuations during the Track Record Period, in costs of steel, cement and concrete and wages under cost of services for the respective periods during the Track Record Period:

### Sensitivity analysis on price of steel

Hypothetical fluctuation (% change in price of steel)	-10%	-5%	+5%	+10%
<b>Change in profit before tax (HK\$'000)</b>				
For the year ended 31 March 2013	3,033	1,517	(1,517)	(3,033)
For the year ended 31 March 2014	8,364	4,182	(4,182)	(8,364)
For the year ended 31 March 2015	8,366	4,183	(4,183)	(8,366)
For the four months ended 31 July 2014	2,421	1,210	(1,210)	(2,421)
For the four months ended 31 July 2015	3,135	1,568	(1,568)	(3,135)

### Sensitivity analysis on price of cement and concrete

Hypothetical fluctuation (% change in price of cement and concrete)	-6%	-3%	3%	6%
<b>Change in profit before tax (HK\$'000)</b>				
For the year ended 31 March 2013	284	142	(142)	(284)
For the year ended 31 March 2014	552	276	(276)	(552)
For the year ended 31 March 2015	536	268	(268)	(536)
For the four months ended 31 July 2014	16	8	(8)	(16)
For the four months ended 31 July 2015	97	49	(49)	(97)

### Sensitivity analysis on wages

Hypothetical fluctuation (% change in wages)	-17%	-10%	+10%	+17%
<b>Change in profit before tax (HK\$'000)</b>				
For the year ended 31 March 2013	13,942	8,201	(8,201)	(13,942)
For the year ended 31 March 2014	14,483	8,519	(8,519)	(14,483)
For the year ended 31 March 2015	15,925	9,367	(9,367)	(15,925)
For the four months ended 31 July 2014	5,460	3,252	(3,212)	(5,460)
For the four months ended 31 July 2015	8,070	4,747	(4,747)	(8,070)

*Note:* The sensitivity analysis above assumes that only one variable changes while other variables remain unchanged. This sensitivity analysis is intended for reference only, and any variation may differ from the amounts indicated. Investors should note in particular that this sensitivity analysis is not intended to be exhaustive and is limited to the impact of changes in the costs of steel, cement and concrete and wages respectively and does not reflect changes in our revenue.



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### GROSS PROFIT AND GROSS PROFIT MARGIN

The following table sets forth a breakdown of our gross profit and gross profit margin by segment and our Group's capacity (i.e. main contractor or subcontractor) during the Track Record Period:

	For the year ended 31 March						For the four months ended 31 July			
	2013		2014		2015		2014		2015	
	Gross profit margin HK\$'000	Gross profit margin %	Gross profit margin HK\$'000	Gross profit margin %	Gross profit margin HK\$'000	Gross profit margin %	Gross profit margin HK\$'000	Gross profit margin %	Gross profit margin HK\$'000	Gross profit margin %
<b>By segment</b>										
Foundation and other civil works	39,462	18.3	45,288	19.8	86,939	29.1	50,005	42.6	63,366	36.9
Tunneling works	<u>21,139</u>	20.1	<u>26,163</u>	14.9	<u>75,135</u>	27.0	<u>11,377</u>	16.8	<u>5,293</u>	6.7
	<u>60,601</u>	18.9	<u>71,451</u>	17.7	<u>162,074</u>	28.1	<u>61,382</u>	33.1	<u>68,659</u>	27.3
<b>By our Group's capacity</b>										
Main contractor	11,085	10.7	28,440	16.9	62,415	23.5	9,074	16.4	35,985	32.1
Subcontractor	<u>49,516</u>	22.8	<u>43,011</u>	18.3	<u>99,659</u>	32.0	<u>52,308</u>	40.3	<u>32,674</u>	23.5
	<u>60,601</u>	18.9	<u>71,451</u>	17.7	<u>162,074</u>	28.1	<u>61,382</u>	33.1	<u>68,659</u>	27.3

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### OTHER INCOME

During the Track Record Period, our other income primarily consisted of (i) rental income from plant and equipment; (ii) gain on disposal of plant and equipment; (iii) sales of scrap materials; (iv) bank interest income; and (v) sundry income. The following table sets forth a breakdown of other income of our Group during the Track Record Period:

	For the year ended 31 March			For the four months ended 31 July	
	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)	
Bank interest income	6	9	870	94	266
Gain on disposal of plant and equipment	1,191	99	2,093	1,682	2
Rental income from plant and equipment	3,432	3,337	1,199	360	–
Sales of scrap materials	996	–	–	–	412
Government subsidy	–	–	1,511	253	316
Reversal of provision of long service payment	–	46	242	–	–
Insurance claim	–	–	421	421	–
Sundry income	<u>23</u>	<u>75</u>	<u>258</u>	<u>210</u>	<u>26</u>
<b>Total</b>	<b><u>5,648</u></b>	<b><u>3,566</u></b>	<b><u>6,594</u></b>	<b><u>3,020</u></b>	<b><u>1,022</u></b>

During Track Record Period, we occasionally derived rental income from lease of unutilised plant and equipment to other parties. Our Directors believe that such arrangement can help us maintain good business relationships with other contractors and our business partners.

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### ADMINISTRATIVE EXPENSES

Administrative expenses mainly include staff costs, Directors' remuneration and benefits, operating lease rental on premises, legal and professional fees, entertainment expenses, motor vehicle and other administrative expenses. The following table sets out a breakdown of our administrative expenses for the years indicated:

	For the year ended 31 March			For the four months ended 31 July	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)				
Staff costs	10,110	11,071	19,855	5,203	6,544
Directors' remuneration and benefits	3,320	4,614	6,803	1,371	2,019
Operating lease rental on premises	2,176	2,473	3,419	1,231	1,193
Depreciation on fixed assets	6,090	6,382	5,366	1,789	803
Legal and professional fees	2,035	3,500	1,692	527	515
Motor vehicle expenses	4,890	5,313	4,471	1,801	1,598
Insurance expenses	742	1,033	1,172	519	547
Listing expenses	–	–	7,609	–	1,451
Levy	810	1,066	971	74	1,011
Messing	731	879	1,126	295	510
Entertainment	3,147	2,808	2,652	437	509
Other administrative expenses	<u>4,118</u>	<u>4,932</u>	<u>5,564</u>	<u>1,186</u>	<u>2,116</u>
<b>Total</b>	<b><u>38,169</u></b>	<b><u>44,071</u></b>	<b><u>60,700</u></b>	<b><u>14,433</u></b>	<b><u>18,806</u></b>

Our administrative expenses mainly include:

- (i) Staff costs, which are (a) salaries, wages and other benefits for our office staff; and (b) contribution to mandatory provident funds;
- (ii) Directors' remuneration and benefits, which are directors' emolument and provision of staff quarter for director;
- (iii) Operating lease rental on premises, which are rent and rates for office, areas for storage of machinery and equipment rented by our Group;
- (iv) Depreciation on fixed assets, which are related to motor vehicles and plant and machinery temporarily unallocated to projects;
- (v) Insurance expenses, which are costs incurred for maintaining basic insurance for our Group's employees who work at our office, motor vehicles and plant and machineries;

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- (vi) Legal and professional fees, which are professional fees paid to our legal advisors in providing us with legal services relating to our projects or representing us in legal proceeding in which we were a party but not have been reimbursed to us under insurance policy, service charges paid to our external secretarial service provider in connection with our Group's daily commercial matters and audit fees;
- (vii) Listing expenses, which are expenses relating to appointment of professional parties in the preparation of the Listing; and
- (viii) Other expenses include office expenses, printing and stationery, hiring expenditure for office equipments.

### FINANCE COSTS

Finance costs mainly represent interest expenses for bank overdrafts and borrowings wholly repayable within five years and interest expenses on obligations under finance leases of machinery and equipment.

	For the year ended 31 March			For the four months ended 31 July	
	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>
Interest on:					
– bank overdrafts and borrowings wholly repayable within five years	801	911	628	91	116
– Obligations under finance leases	<u>714</u>	<u>1,131</u>	<u>1,139</u>	<u>419</u>	<u>357</u>
<b>Total</b>	<b><u>1,515</u></b>	<b><u>2,042</u></b>	<b><u>1,767</u></b>	<b><u>510</u></b>	<b><u>473</u></b>

During the Track Record Period, the obligation under finance leases carried interest at floating rates from 2.63% to 5.25%, and at fixed rates from 1.18% to 2.25% per annum. As at 31 March 2013, 2014, 2015 and 31 July 2015, secured bank loans carried interest at floating rates ranging from 2.62% to 2.96%, 2.62% to 2.96%, 2.42% to 3.00% and 2.64% to 2.74% per annum respectively while bank overdraft carried interest at floating rates of 4% per annum respectively.

### INCOME TAX EXPENSES

Our Group was not subject to any income tax in the Cayman Islands and BVI during the Track Record Period. The provision for Hong Kong profits tax was calculated at 16.5% of the relevant estimated assessable profits for the Track Record Period. The effective tax rates of our Group for each of the years ended 31 March 2013, 2014, 2015 and the four months ended 31 July 2015 were approximately 16.6%, 16.3%, 18.4% and 17.0%, respectively.

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### PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

#### Four months ended 31 July 2015 compared with four months ended 31 July 2014

##### *Revenue*

Our revenue increased from approximately HK\$185.2 million for the four months ended 31 July 2014 to approximately HK\$251.1 million for the four months ended 31 July 2015, representing an increase of approximately 35.6%. The increase in revenue was primarily due to the commencement of several new foundation and civil work projects in second half of FY2015 which were in full swing during the four months ended 31 July 2015.

Revenue generated from tunneling works increased from approximately HK\$67.9 million for the four months ended 31 July 2014 to approximately HK\$79.3 million for the four months ended 31 July 2015 representing an increase of approximately 16.8%. Such increase was mainly attributable to Project 46 and Project 34 of which were in full swing since FY2015, and we completed more workdones during the four months ended 31 July 2015 as compared to the four months ended 31 July 2014. We derived aggregated revenue of approximately HK\$71.5 million from the aforesaid projects during the four months ended 31 July 2015, comparing with aggregated revenue of approximately HK\$43.4 million during the four months ended 31 July 2014. Such increase in revenue was partially offset by the decrease in revenue of Project 43 because the job orders we received during the four months ended 31 July 2015 regarding this project were still in initial stage of preparation.

Revenue generated from foundation and other civil works increased from approximately HK\$117.3 million for the four months ended 31 July 2014 to approximately HK\$171.8 million for the four months ended 31 July 2015, representing an increase of approximately 46.5%. Notwithstanding that most of our contracts in relation to foundation and other civil works in progress during the four months ended 31 July 2014 had been completed in FY2015, we commenced our work on several newly engaged projects since the second half of FY2015, including Project 36, Project 39, Project 41 and Project 45, contributing approximately HK\$154.0 million or approximately 89.6% of our revenue during the same period. Furthermore, we recorded approximately HK\$4.5 million of revenue from Project 35 during the same period while it was still in preparation stage during the four months ended 31 July 2014.

##### *Cost of services*

Cost of services increased from approximately HK\$123.9 million for the four months ended 31 July 2014 to approximately HK\$182.4 million for the four months ended 31 July 2015, representing an increase of approximately 47.2%. Such increase was mainly attributable to the increase in staff costs and other direct costs incurred for several new projects which commenced construction during the four months ended 31 July 2015. Furthermore, since we completed more workdones in Project 46 during the four months ended 31 July 2015 as compared to the four months ended 31 July 2014, we also incurred more staff cost and other direct costs, including site expenses and hiring expenses, in particular to Project 46 during the same period.

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### *Gross profit and gross profit margin*

Our gross profit increased from approximately HK\$61.4 million for the four months ended 31 July 2014 to approximately HK\$68.7 million for the four months ended 31 July 2015, representing an increase of approximately 11.9%. During the same period, our overall gross profit margin decreased from approximately 33.1% to approximately 27.3%. The aforesaid changes in gross profit and gross profit margin were mainly attributable to combined effect of below matters in our business segments:

1. Our gross profit in relation to tunneling works decreased by approximately HK\$6.1 million from approximately HK\$11.4 million for the four months ended 31 July 2014 to approximately HK\$5.3 million for the four months ended 31 July 2015. The decrease in gross profit was primarily attributable to the gross loss of approximately HK\$9.9 million recorded in Project 43 for the four months ended 31 July 2015, comparing to the gross profit of approximately HK\$4.4 million for the four months ended 31 July 2014. Such gross loss was mainly due to two construction sites of Project 43 were in the preparation stage which incurred significant amount of material and accessories costs and wages of skilled labour. Nevertheless, we successfully reduced our material costs in Project 46 by approximately HK\$5.7 million owing to the cost saving proposal to change certain design parameter which was accepted by the ultimate customer in second half of FY2015. As a result of the above, the gross profit margin in relation to our tunneling works segment decreased from approximately 16.8% for the four months ended 31 July 2014 to approximately 6.7% for the four months ended 31 July 2015.
2. Our gross profit in relation to foundation and other civil works increased by approximately HK\$13.4 million from approximately HK\$50.0 million for the four months ended 31 July 2014 to approximately HK\$63.4 million for the four months ended 31 July 2015. The increase in gross profit was largely attributable to the substantial completion of several new projects with relatively higher gross profit margin, namely Project 36, Project 39, Project 41 and Project 45, that in aggregate contributed more than 90.0% of the gross profit in our foundation and other civil works segment for the four months ended 31 July 2015. Notwithstanding that the aforesaid projects were in full swing and attained a higher gross profit margin than other foundation and civil work projects during the four months ended 31 July 2015, the gross profit margin in relation to our foundation and other civil works segment decreased from approximately 42.6% for the four months ended 31 July 2014 to approximately 36.9% for the four months ended 31 July 2015. The decrease in gross profit margin was mainly attributable to the completion of Project 32 which had relatively high profit margin in FY2015 and the settlement of payment for a piling project which had been completed in 2009 with all of related costs having been incurred in prior periods.

### *Other income*

Other income decreased from approximately HK\$3.0 million for the four months ended 31 July 2014 to approximately HK\$1.0 million for the four months ended 31 July 2015, representing a decrease of approximately 66.2%. Such decrease was mainly attributable to the decrease in gain on disposal of our construction plant and machinery by approximately

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HK\$1.7 million, the one-off insurance claim by approximately HK\$0.4 million, and the rental income from plant and equipment by approximately HK\$0.3 million.

### *Administrative expenses*

Administrative expenses increased from approximately HK\$14.4 million for the four months ended 31 July 2014 to approximately HK\$18.8 million for the four months ended 31 July 2015, representing an increase of approximately 30.3%. Such increase was mainly attributable to the listing expenses and increase in staff costs.

Our listing expenses of approximately HK\$1.5 million were recorded for the four months ended 31 July 2015, comparing with nil for the four months ended 31 July 2014. For more details, please refer to paragraph headed “Listing expense” in this section.

Our staff costs increased to approximately HK\$6.5 million for the four months ended 31 July 2015 compared to approximately HK\$5.2 million for the four months ended 31 July 2014. Such increase was mainly due to the increase in salary for our office staff.

Our other administrative expenses increased to approximately HK\$2.1 million for the four months ended 31 July 2015 compared to approximately HK\$1.2 million for the four months ended 31 July 2014, primarily attributable to the increase in repair expenses spent on plants and machineries of approximately HK\$0.5 million.

### *Finance costs*

Our finance costs for the four months ended 31 July 2015 were approximately HK\$0.5 million, comparable with that for the four months ended 31 July 2014 of approximately HK\$0.5 million.

### *Income tax expenses*

Our income tax expenses maintained at the similar level of approximately HK\$8.7 million for the four months ended 31 July 2014 and approximately HK\$8.6 million for the four months ended 31 July 2015.

### *Profit and total comprehensive income for the period*

As the result of the foregoing, our profit and total comprehensive income amounted to approximately HK\$40.7 million for the four months ended 31 July 2014 as compared to approximately HK\$41.8 million for the four months ended 31 July 2015.

## **Year ended 31 March 2015 compared to year ended 31 March 2014**

### *Revenue*

Our revenue increased from approximately HK\$404.4 million in FY2014 to approximately HK\$577.3 million in FY2015, representing an increase of approximately 42.8%. Several sizable projects which had commenced works in FY2014 were in full swing or nearly completed in FY2015. In addition, the new projects in relation to our foundation and other civil works further boosted up our revenue in FY2015.

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Revenue generated from tunneling works increased from approximately HK\$175.3 million in FY2014 to approximately HK\$278.6 million in FY2015, representing an increase of approximately 58.9%. Such increase was mainly attributable to Project 46 and Project 34 of which we had commenced both of the relevant construction work in FY2014 and were in full swing during FY2015. We derived an aggregated revenue of approximately HK\$187.4 million from the aforesaid projects during FY2015, comparing with an aggregated revenue of approximately HK\$68.9 million during FY2014.

Revenue generated from foundation and other civil works increased from approximately HK\$229.1 million in FY2014 to approximately HK\$298.8 million in FY2015, representing an increase of approximately 30.4%. Notwithstanding that most of our contracts in relation to foundation and other civil works engaged prior to or during the earlier time of the Track Record Period had been completed in FY2014, we had several new projects commenced in FY2015 which included Project 45 and Project 35. Furthermore, our Project 14 and Project 32 commenced in the second half of FY2014 and contributed approximately HK\$90.3 million of our revenue in FY2014 in aggregate, were nearly in completion stage by the end of FY2015, and contributed approximately HK\$233.1 million or approximately 78.0% of our revenue from foundation and other civil works in FY2015.

### *Cost of services*

Cost of services increased from approximately HK\$332.9 million in FY2014 to approximately HK\$415.3 million in FY2015, representing an increase of approximately 24.8%. Such increase was mainly attributable to the increase in material cost and subcontracting fee incurred for several projects, in particular, Project 14, Project 46 and Project 32, which had commenced works in FY2014 were in full swing or nearly completed in FY2015. Furthermore, we incurred more other direct costs during the course of our continuing business expansion. Such other direct costs include depreciation expenses and hiring expenditure of construction machineries and site expenses.

### *Gross profit and gross profit margin*

Our gross profit increased from approximately HK\$71.5 million in FY2014 to approximately HK\$162.1 million in FY2015, representing an increase of approximately 1.3 times. During the same period, our overall gross profit margin increased from approximately 17.7% to approximately 28.1%. The aforesaid increase was mainly attributable to the combined effect of below matters in our business segments:

1. Our gross profit in relation to tunneling works increased by approximately HK\$48.9 million to approximately HK\$75.1 million from FY2014 to FY2015 while gross profit margin increased from approximately 14.9% for FY2014 to approximately 27.0% for FY2015. The increase was largely attributable to the substantial completion of our works with relatively higher gross profit margin in Project 46 and Project 43 that in aggregate contributed more than 80% of the gross profit in our tunneling business segment in FY2015. We achieved a higher gross profit margin in the aforesaid projects than the previous year because (i) in Project 46, the ultimate customer accepted the cost saving proposal to change certain design parameter, and we received the cost sharing amount of approximately HK\$14.0 million in total; and also our elimination of certain temporary work design in which cost has been



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reduced, our material cost thus increased only by approximately HK\$10.6 million or 37.7% in FY2015 as compared to the increased in recognised income of approximately HK\$109.6 million or 172.0% for the same period; and (ii) in Project 43, as we carried out more construction work orders during FY2015, it was more cost efficient in deploying specialist machines and skilled labour; and our material and accessories costs decreased by approximately HK\$7.0 million or 45.7% and approximately HK\$1.9 million or 25.9% in FY2015 respectively, mainly due to the utilisation of used materials from other project sites for the construction of temporary works including the site gantry and jacking and receiving pit.

2. Our gross profit in relation to foundation and other civil works increased by approximately HK\$41.6 million to approximately HK\$86.9 million from FY2014 to FY2015 while gross profit margin increased from approximately 19.8% for FY2014 to approximately 29.1% for FY2015. The increase was largely attributable to the substantial completion of our works with relatively higher gross profit margin in Project 32 and Project 14 that in aggregate contributed more than 80% of the gross profit in our foundation and other civil works segment in FY2015. We attained a higher gross profit margin in the aforesaid projects in FY2015 than in previous year. During the early stage of Project 32 in FY2014, we incurred significant amount of material cost and subcontractor fee to purchase structural steel and perform fabrication work, representing approximately 1.4 times of the aggregated amount of material cost and subcontractor fee incurred in FY2015, while the construction work was substantially in FY2015 with higher revenue generated at this stage. Further, we successfully streamlined the marine sediment disposal process by sea dumping which reduced the costs in Project 32 by approximately HK\$8.6 million in FY2015. As regards Project 14, certain preparation works have to be carried out in second half of FY2014 but with lower revenue generated at such stage, and was in full swing in FY2015. In addition, although we had completed a piling project in March 2009, our Group was at the relevant time in process to negotiate the final accounts with the respective customer in relation to the variation orders performed by our Group. As the result of negotiation was uncertain and could not be measured reliably, we did not take into account any revenue for any payment during the financial periods prior to FY2015 notwithstanding that the costs of variation works were recognised as expenses in prior periods when they were incurred. Following a prolonged negotiation process, our customer has agreed to settle on an agreed amount of approximately HK\$6.0 million with us and corresponding revenue was recognised during FY2015. Since no cost had been recognised for this project in FY2015 as all had been charged previously, the revenue recognised equals to the gross profit that contributed to our increase in gross profit and gross profit margin in FY2015.

### *Other income*

Other income increased from approximately HK\$3.6 million in FY2014 to approximately HK\$6.6 million in FY2015, representing an increase of approximately 83.3%. Such increase was mainly attributable to the increase in gain on disposal of our construction plant and machinery of approximately HK\$2.1 million and the one-off government subsidy of approximately HK\$1.5 million under the “Ex-gratia Payment Scheme for Phasing Out Pre-Euro IV Diesel Commercial Vehicles”.

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### *Administrative expenses*

Administrative expenses increased from approximately HK\$44.1 million in FY2014 to approximately HK\$60.7 million in FY2015, representing an increase of approximately 37.6%. Such increase was mainly attributable to the listing expenses and increase in staff costs.

Our listing expenses of approximately HK\$7.6 million were recorded in FY2015 (FY2014: Nil). For more details, please refer to paragraph headed “Listing expenses” in this section.

Our staff costs increased to approximately HK\$19.9 million in FY2015 compared to approximately HK\$11.1 million in FY2014, primarily due to the salary of project managers who were unallocated to specific projects that was not recognised as staff costs under our cost of services but was recognised as staff costs under our administrative expenses in FY2015, as they became more involved in handling duties that were not specific to a particular project such as preparation of tender documents.

### *Finance costs*

Finance costs decreased from approximately HK\$2.0 million in FY2014 to approximately HK\$1.8 million in FY2015, representing a decrease of approximately 10.0%. Such decrease was due to the decrease in bank overdrafts and borrowings.

### *Income tax expenses*

Our income tax expenses increased to approximately HK\$19.6 million in FY2015 compared to approximately HK\$4.7 million in FY2014. Such increase was mainly due to the increase in assessable profits of our Group during FY2015. Our Group’s effective tax rate increased from 16.3% in FY2014 to 18.4% in FY2015 mainly due to our increase in expenses not deductible from tax in FY2015 attributable to non-deductible professional fees incurred in connection with the Listing.

### *Profit and total comprehensive income for the year*

As a result of the foregoing, our profit and total comprehensive income amounted to approximately HK\$86.6 million in FY2015 as compared to approximately HK\$24.2 million in FY2014.

## **Year ended 31 March 2014 compared to year ended 31 March 2013**

### *Revenue*

Our revenue increased from approximately HK\$321.0 million in FY2013 to approximately HK\$404.4 million in FY2014, representing an increase of approximately 26.0%. Such increase was primarily attributable to the increase in revenue recognised from several sizable projects, in particular those from our tunneling works segment.

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Revenue generated from tunneling works increased from approximately HK\$105.2 million in FY2013 to approximately HK\$175.3 million in FY2014, representing an increase of approximately 66.6%. In FY2014, our Group was engaged as the subcontractor and commenced the work of Project 46 which generated revenue of approximately HK\$63.7 million during the year. Furthermore, we completed more construction work orders in respect of Project 43 in FY2014 that contributed revenue of approximately HK\$69.3 million to our Group during the year. Compared with FY2013, we only recorded revenue of approximately HK\$19.0 million from such project.

Revenue generated from foundation and other civil works increased from approximately HK\$215.8 million in FY2013 to approximately HK\$229.1 million in FY2014, representing a slight increase of approximately 6.2%. In FY2014, our Group was engaged as the subcontractor for carrying out foundation works in Project 32. We commenced work and recognised revenue of approximately HK\$70.3 million from Project 32 during the year. Such increase was partly offset by the decrease in revenue recognised from our Customer A's several subcontracting projects. These were all foundation and other civil works projects which were completed or nearly completed during FY2013 and thus, a lesser amount of subcontract sum was remained during FY2014.

### *Cost of services*

Cost of services increased from approximately HK\$260.4 million in FY2013 to approximately HK\$332.9 million in FY2014, representing an increase of approximately 27.8%. The increase was in line with the overall increase in total revenue of approximately 26.0%. Our cost of construction materials and accessories was the main component of our Group's cost of services, amounting to approximately 31.9% and 40.9% of the total cost of services for each of FY2013 and FY2014 respectively. The construction materials used in carrying out our Group's works mainly include cement and concrete; and steel. As a result of increased works performed and more construction materials were consumed, the costs of materials and accessories increased. Moreover, our insurance expense increased by approximately HK\$10.0 million from approximately HK\$2.0 million in FY2013 to approximately HK\$12.0 million in FY2014 primarily due to the commencement of Project 46 in FY2014, that also contributed to the increase in cost of services.

### *Gross profit and gross profit margin*

Our gross profit increased from approximately HK\$60.6 million in FY2013 to approximately HK\$71.5 million in FY2014, representing an increase of approximately 18.0%. During the same period, our overall gross profit margin decreased from approximately 18.9% to approximately 17.7%. The aforesaid decrease was mainly attributable to the combined effect of below matters in our business segments:

1. Our gross profit in relation to tunneling works increased by approximately HK\$5.1 million to approximately HK\$26.2 million in FY2014. Following a prolonged negotiation process, in FY2013, we came into agreement of the final accounts of four tunneling projects with two customers that they agreed to settle the agreed amounts with us. The corresponding revenue was recognised in FY2013. No additional cost had been recognised for these four tunneling projects in FY2013 as they all had been incurred previously. During the first half of FY2014, we incurred

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significant material and accessories costs for commencement of work for Project 46. Coupling with the effect of significant increase in material and accessories costs and subcontracting costs incurred for commencement of several work orders on Project 43 during FY2014, notwithstanding that we recorded an increase in our gross profit in tunneling segment, our gross profit margin was decreased from approximately 20.1% in FY2013 to approximately 14.9% in FY2014.

2. Our gross profit in relation to foundation and other civil works increased by approximately HK\$5.8 million to approximately HK\$45.3 million in FY2014. In FY2013, our Project 08 was in the construction of superstructure stage of which we had outsourced the work to our subcontractors. Due to significant subcontractor fee incurred, we recorded a gross loss in Project 08 in FY2013. Such gross loss was partly offset by a gross profit recorded in Project 28. As the gross loss we recorded in Project 08 was significantly reduced in FY2014, our gross profit margin improved from approximately 18.3% in FY2013 to approximately 19.8% in FY2014.

### *Other income*

Other income decreased from approximately HK\$5.6 million in FY2013 to approximately HK\$3.6 million in FY2014, representing a decrease of approximately 35.7%. Such decrease was mainly attributable to the decrease in gain on disposal of our construction plant and machinery by approximately HK\$1.1 million, and the cessation of one-off gain on sales of construction scrap materials of approximately HK\$1.0 million.

### *Administrative expenses*

Administrative expenses increased from approximately HK\$38.2 million in FY2013 to approximately HK\$44.1 million in FY2014, representing an increase of approximately 15.4%. Such increase was mainly attributable to the increases in directors' remuneration and benefits, legal and professional fees and other administrative expenses.

Our directors' remuneration and benefits increased to approximately HK\$4.6 million in FY2014 compared to approximately HK\$3.3 million in FY2013, primarily attributable to increase in bonus paid to our Directors.

Our legal and professional fees increased to approximately HK\$3.5 million in FY2014 from approximately HK\$2.0 million in FY2013, primarily attributable to the provision of approximately HK\$2.1 million made on a court case in relation to the outstanding legal fees of two Hong Kong law firms. For details, please refer to the section headed "Business — Litigation and potential claims" in this prospectus.

Our other administrative expenses increased to approximately HK\$4.9 million in FY2014 compared to approximately HK\$4.1 million in FY2013, primarily attributable to the increase in repair expenses spent on plant and machineries of approximately HK\$0.6 million and loss on disposal of property, plant and equipment of approximately HK\$0.5 million.

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### *Finance costs*

Finance costs increased from approximately HK\$1.5 million in FY2013 to approximately HK\$2.0 million in FY2014, representing an increase of approximately 33.3%. Such increase was mainly attributable to the increase in finance charges incurred under finance leases due to additional machineries acquired to cater for projects need.

### *Income tax expenses*

We incurred income tax expenses of approximately HK\$4.7 million in FY2014, as compared to income tax expenses of approximately HK\$4.4 million in FY2013. Such increase was mainly attributable to the increase in assessable profits of our Group in FY2014. Our effective tax rate remained relatively stable at 16.6% and 16.3% in FY2013 and FY2014, respectively.

### *Profit and total comprehensive income for the year*

As a result of the foregoings, our profit and total comprehensive income amounted to approximately HK\$24.2 million in FY2014 as compared to approximately HK\$22.2 million in FY2013.

## LIQUIDITY AND CAPITAL RESOURCES

The following table sets forth a summary of our cash flows for the years indicated:

	For the year ended 31 March			For the four months ended 31 July	
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
Net cash from (used in)					
operating activities	21,584	103,067	158,901	87,841	(24,069)
Net cash used in investing					
activities	(4,662)	(19,557)	(7,816)	(7,633)	(1,796)
Net cash used in financing					
activities	<u>(8,874)</u>	<u>(37,447)</u>	<u>(74,991)</u>	<u>(15,477)</u>	<u>(29,999)</u>
Net increase (decrease) in					
cash and cash equivalents	8,048	46,063	76,094	64,731	(55,864)
Cash and cash equivalent					
at the beginning of					
the year/period	<u>(3,830)</u>	<u>4,218</u>	<u>50,281</u>	<u>50,281</u>	<u>126,375</u>
<b>Cash and cash equivalent at</b>					
<b>  the end of the year/period</b>	<u><u>4,218</u></u>	<u><u>50,281</u></u>	<u><u>126,375</u></u>	<u><u>115,012</u></u>	<u><u>70,511</u></u>

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### **Net cash from (used in) operating activities**

Our cash inflow from operating activities is primarily generated from construction works. During the Track Record Period, our cash outflow for operating activities is primarily related to staff costs, purchase of construction materials, subcontracting charges and administrative expenses. Our cash flow from operating activities is affected by a number of factors, which include the progress of construction works projects and the settlement of trade receivables by our customers and trade payables by our Group.

For the four months ended 31 July 2015, our net cash used in operating activities amounted to approximately HK\$24.1 million, while our cash flows from operating activities after adjusting for non-cash items but before movements in working capital was approximately HK\$60.0 million. The difference of approximately HK\$84.1 million was mainly attributable to the (i) increase in trade and retention receivables of approximately HK\$69.9 million, which was largely attributable to the trade and retention receivables for Customer A and Customer G; and (ii) decrease in amounts due to customers for contract work of approximately HK\$15.0 million in connection with Project 46.

In FY2015, our net cash from operating activities amounted to approximately HK\$158.9 million, while our cash flows from operating activities after adjusting for non-cash items but before movements in working capital was approximately HK\$131.5 million. The difference of approximately HK\$27.4 million was mainly attributable to the (i) decrease in trade and retention receivables of approximately HK\$15.5 million; (ii) increase in amount due to customers for contract works of approximately HK\$10.5 million in connection with Project 46; and (iii) increase in accruals and other payables of approximately HK\$8.5 million.

In FY2014, our net cash from operating activities amounted to approximately HK\$103.1 million, while our cash flows from operating activities after adjusting for non-cash items but before movements in working capital was approximately HK\$52.9 million. The difference of approximately HK\$50.2 million was primarily due to a combination of (i) increase in amount due to customers for contract work of approximately HK\$86.5 million, which is largely due to early payment for contract works in connection with Project 46; and (ii) the increase in trade and retention receivables of approximately HK\$55.8 million, which is largely attributable to the trade and retention receivables for Customer A.

In FY2013, our net cash from operating activities amounted to approximately HK\$21.6 million, while our cash flows from operating activities after adjusting for non-cash items but before movements in working capital was approximately HK\$40.6 million. The difference of approximately HK\$19.0 million was primarily due to the increase in trade and retention receivables of approximately HK\$9.7 million.

### **Net cash used in investing activities**

Our cash outflow for investing activities was primarily utilised to acquire machinery and equipment to cope with our Group's business expansion. During the Track Record Period, our cash inflow from investing activities was primarily derived from the disposal of machinery and equipment.

For the four months ended 31 July 2015, our net cash used in investing activities amounted to approximately HK\$1.8 million which was mainly related to the cash outflow of

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approximately HK\$2.4 million utilized to acquire machinery and equipment, partially offset by the government subsidy of approximately HK\$0.3 million and interest received of approximately HK\$0.3 million.

In FY2015, our net cash used in investing activities amounted to approximately HK\$7.8 million which was mainly related to the cash outflow of approximately HK\$12.4 million utilised to acquire machinery and equipment and approximately HK\$2.0 million as pledged deposits to bank for securing certain loan facility, partially offset by the proceeds from the disposal of machinery and equipment of approximately HK\$3.1 million.

In FY2014, our net cash used in investing activities amounted to approximately HK\$19.6 million which was mainly related to the cash outflow of approximately HK\$19.1 million utilised to acquire machinery and equipment, which was partly offset by the proceeds from the disposal of machinery and equipment of approximately HK\$0.2 million.

In FY2013, our net cash used in investing activities amounted to approximately HK\$4.7 million which was mainly related to the cash outflow of approximately HK\$7.3 million utilised to acquire machinery and equipment, which was partly offset by the proceeds from the disposal of machinery and equipment of approximately HK\$2.7 million.

### **Net cash used in financing activities**

Our cash inflow from financing activities was primarily from new bank borrowing raised. During the Track Record Period, our cash used in financing activities primarily consists of repayment of principal and interest for bank loans and finance leases and repayment to shareholders as well as dividend paid.

For the four months ended 31 July 2015, our net cash used in financing activities amounted to approximately HK\$30.0 million which was mainly related to (i) HK\$25.2 million cash paid for dividends declared in May and July 2015; and (ii) approximately HK\$6.9 million for repayment of obligations under finance lease.

In FY2015, our net cash used in financing activities amounted to approximately HK\$75.0 million, mainly attributable to (i) HK\$40 million cash paid for dividends declared in December 2014; (ii) approximately HK\$22.1 million for repayment of obligations under finance lease; and (iii) approximately HK\$11.7 million for repayment of loan from shareholders.

In FY2014, our net cash used in financing activities amounted to approximately HK\$37.4 million. Cash inflows included the new bank borrowings raised of approximately HK\$10.3 million. Cash outflow mainly included (i) the repayment of bank borrowings of approximately HK\$26.9 million; and (ii) the repayment of obligations under finance lease of approximately HK\$17.1 million.

In FY2013, our net cash used in financing activities amounted to approximately HK\$8.9 million. Cash inflows included the new bank borrowings raised of approximately HK\$17.9 million. Cash outflow mainly included (i) the repayment of obligations under finance lease of approximately HK\$17.5 million; and (ii) the repayment to shareholders of approximately HK\$4.6 million.

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### SUFFICIENCY OF WORKING CAPITAL

Taking into account the cash generated from operating activities, the net proceeds of the Share Offer and the credit facilities maintained with financial institutions, our Directors are satisfied that we will have sufficient working capital for our Group's present requirements during the 12 months following the date of this prospectus.

### COMMITMENTS

During the Track Record Period, our commitments consisted of (a) operating lease commitments in relation to the lease of our site offices and office properties; and (b) capital commitments contracted for but not provided in the financial statements in respect of acquisition of plant and equipment.

#### (a) Operating lease commitment

*Our Group as lessee*

Our Group leases its office properties, site offices, storage area, staff quarter and machinery under operating lease arrangement. Lease is negotiated for an original term of three years. At the end of each reporting period, the Group had future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 March			As at 31 July 2015	As at 31 October 2015
	2013	2014	2015	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(unaudited)
Within one year	1,285	2,096	1,907	4,112	2,896
In the second to fifth years inclusive	–	538	181	2,953	2,372
	<u>1,285</u>	<u>2,634</u>	<u>2,088</u>	<u>7,065</u>	<u>5,268</u>

#### (b) Others

	As at 31 March			As at 31 July 2015	As at 31 October 2015
	2013	2014	2015	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(unaudited)
Capital commitments contracted for but not provided in the combined financial statements in respect of:					
– Acquisition of plant and equipment	–	3,647	2,444	2,845	–
	<u>–</u>	<u>3,647</u>	<u>2,444</u>	<u>2,845</u>	<u>–</u>



## FINANCIAL INFORMATION

### NET CURRENT ASSETS

#### Composition of our net current assets position

As at 31 March 2013, 2014, 2015, 31 July 2015 and 31 October 2015, we recorded net current assets of approximately HK\$40.9 million, HK\$44.6 million, HK\$82.6 million, HK\$102.0 million and HK\$79.2 million, respectively.

	Year ended 31 March			As at	As at
	2013	2014	2015	31 July	31 October
	HK\$'000	HK\$'000	HK\$'000	2015	2015
				HK\$'000	HK\$'000
					(unaudited)
<b>Current assets</b>					
Trade and retention receivables	80,988	136,792	121,259	191,155	137,054
Amounts due from customers					
for contract work	6,729	6,360	5,542	5,542	5,542
Deposits, prepayments and other					
receivables	5,978	6,203	9,008	13,089	12,212
Amount due from					
a director	288	288	–	–	–
Amounts due from shareholders	100	800	–	–	–
Pledged bank deposits	2,013	2,019	4,026	4,028	4,029
Bank balances and cash	<u>7,579</u>	<u>50,693</u>	<u>126,375</u>	<u>70,511</u>	<u>77,502</u>
	<u>103,675</u>	<u>203,155</u>	<u>266,210</u>	<u>284,325</u>	<u>236,339</u>
<b>Current liabilities</b>					
Trade and retention payables	16,736	37,180	36,842	44,380	57,651
Amounts due to customers for					
contract work	–	86,536	96,990	81,987	43,375
Accruals and other payables	6,335	10,997	19,511	16,896	16,255
Bank borrowings	18,879	2,300	683	247	–
Obligations under finance leases					
– due within one year	14,989	19,708	15,964	16,044	14,491
Tax payable	2,499	1,422	13,627	22,770	25,335
Secured bank overdrafts	<u>3,361</u>	<u>412</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>62,799</u>	<u>158,555</u>	<u>183,617</u>	<u>182,324</u>	<u>157,107</u>
Net current assets	<u>40,876</u>	<u>44,600</u>	<u>82,593</u>	<u>102,001</u>	<u>79,232</u>

Our Group recorded an increase in net current assets position by approximately HK\$3.7 million as at 31 March 2014 as compared to the previous year. This was mainly attributable to the increase in bank balances and cash and trade and retention receivables generated from our profitable operations, partially offset by an increase in amount due to customers for contract work. As at 31 March 2015, our Group's net current assets position increased to approximately HK\$82.6 million due to the increase in bank balances and cash generated from our profitable operations, partially offset by an increase in amount due to customers for contract work and tax payable.

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## FINANCIAL INFORMATION

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As at 31 July 2015, our Group's net current assets position increased to approximately HK\$102.0 million due to the increase in trade and retention receivables, partially offset by decrease in bank balances and cash as a result of net cash outflow from operating activities and payment of dividend during the four months ended 31 July 2015.

As at 31 October 2015, our Group's net current assets position decreased to approximately HK\$79.2 million primarily due to decrease in trade and retention receivables, partially offset by increase in trade and retention payables.

### Trade and retention receivables analysis

Our trade receivables represent the amounts of contract work performed by us that the relevant payment applications had been submitted by us but not yet paid by the customers. In general, our Group submits payment applications to our customers on a monthly basis in accordance with the value of work which may include variation works and claims, if any, undertaken for construction works projects. The credit terms we granted to our customers vary from contract to contract. Such credit terms may make reference to the payment certificate date or depending on the terms and conditions of the contracts, typically ranged from 30 days to 60 days from our payment application date. Retention receivables represent the retention money required by our customers to secure our Group's due performance of the contracts. Typically, the amount of retention money depends on negotiation between the parties, which are 5.0% or 10.0% of the value of works certified and is subject to a maximum retention of 2.5% or 5.0% of the total original contract value. The terms and conditions in relation to the release of retention money also vary from contract to contract, which may subject to, practical completion, the expiry of the defect liability period or a pre-agreed time period.

#### *Trade receivables*

The following table sets out our trade receivables during the Track Record Period:

	<b>For the year ended 31 March</b>			<b>For the four months ended 31 July 2015</b>
	<b>2013</b>	<b>2014</b>	<b>2015</b>	
Trade receivables ( <i>HK\$'000</i> )	66,899	107,461	85,341	147,024
Revenue ( <i>HK\$'000</i> )	320,991	404,371	577,333	251,079
Turnover days of trade receivables ( <i>Note</i> )	79 days	79 days	61 days	56 days

*Note:* The trade receivables turnover days for a given year is calculated based on the average of beginning and ending total trade receivables balance as at the year end divided by revenue for that year and multiplied by the numbers of days of the year or period (i.e. 365 days for a full year and 120 days for the four months ended 31 July).

As our business operates on a non-recurring and project-by-project basis, our revenue recognised during the Track Record Period may fluctuate subject to the size and the progress of our construction works contracts at a given time thereby affecting our trade receivables balances as at the respective year ends and the trade receivables turnover days during the Track Record Period.

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Whilst our revenue from construction projects increased from approximately HK\$321.0 million in FY2013 to approximately HK\$404.4 million in FY2014, our trade receivables increased from approximately HK\$66.9 million as at 31 March 2013 to approximately HK\$107.5 million as at 31 March 2014. Despite our Group's revenue increased further to approximately HK\$577.3 million in FY2015, our trade receivables decreased to approximately HK\$85.3 million as at 31 March 2015 as our Group had recognised substantial portion of revenue during the first three quarters in FY2015 and decrease in number of works completed near the end of FY2015. As at 31 July 2015, our trade receivables increased to approximately HK\$147.0 million owing to substantial completion of works for Project 36, Project 45 and Project 46 during the four months ended 31 July 2015. Approximately 93.1% of the trade receivables as at 31 July 2015 were subsequently settled up to 31 October 2015.

During the Track Record Period, our Group's trade receivables turnover days ranged between approximately 50 and 80 days. For FY2013 and FY2014, our Group maintained similar level of trade receivables turnover days, the trade receivables turnover days decreased in FY2015 and the four months ended 31 July 2015. We have allowed certain flexibility for a number of customers to settle their outstanding balances due to us as a gesture to maintain relationship with these customers. We have long-standing relationships with these groups of customers and they were also our five largest customers in terms of revenue contribution during the Track Record Period.

The following table sets out an aging analysis of our trade receivables as of the dates indicated:

	At 31 March			At
	2013	2014	2015	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	52,183	53,013	28,889	52,660
31 to 60 days	9,903	22,543	31,911	58,552
61 to 90 days	4,020	21,225	3,085	32,342
91 to 180 days	53	213	20,280	3,116
181 to 365 days	–	822	–	–
Over 365 days	740	9,645	1,176	354
	<u>66,899</u>	<u>107,461</u>	<u>85,341</u>	<u>147,024</u>

As at 31 March 2013, 2014, 2015 and 31 July 2015, included in our Group's trade receivable balances were debtors with aggregate carrying amounts of approximately HK\$0.8 million, HK\$10.7 million, HK\$21.5 million and HK\$3.5 million respectively which were past due at the each reporting period end for which our Group has not provided for impairment loss. As at 31 March 2014, our trade receivables outstanding for over 365 days were approximately HK\$9.6 million compared to approximately HK\$0.7 million as at 31 March 2013. The increase of our trade receivables outstanding for over 365 days was mainly due to late agreement on final accounts on two projects. As at 31 March 2015, our trade receivables outstanding for 91 to 180 days were approximately HK\$20.3 million compared to approximately HK\$0.2 million as at 31 March 2014. The increase of our trade receivables outstanding for 91 to 180 days was mainly due to the substantial completion of foundation

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works in Project 46 during the first two quarters in FY2015 but yet to settle as at 31 March 2015. As at 31 July 2015, our trade receivables outstanding for 0 to 90 days were approximately HK\$143.6 million compared to approximately HK\$63.9 million as at 31 March 2015. The increase of our trade receivables outstanding for 0 to 90 days was mainly due to the substantial completion of works billed to our customers in the last 90 days near the end of 31 July 2015. In particular, the trade receivable balances for Customer A and Customer G outstanding for 0 to 90 days accounted for approximately 75.9% of our total trade receivable balance as at 31 July 2015.

We did not make any provision for doubtful debt in respect of trade receivables during the Track Record Period. When determining the provision of doubtful debts, our Directors would consider individual customers on a case-by-case basis and will take into account the factors including but not limited to, the customers' credit history, customers' reputation and customers' financial condition. Our directors consider that there has not been a significant change in credit quality of the trade receivables and there was no recent history of default, therefore the amounts of receivables are considered recoverable.

### *Retention receivables*

Our retention receivables amounted to approximately HK\$14.1 million, HK\$29.3 million, HK\$35.9 million and HK\$44.1 million as at 31 March 2013, 2014, 2015 and 31 July 2015, respectively. Approximately 10.3% of the retention receivables as at 31 July 2015 were subsequently settled up to 31 October 2015. As the release of retention money varies from contract to contract, which may be subject to, practical completion, the defect liability period or a pre-agreed time period, our Directors consider that it being common that these balances vary from period to period. When determining whether or not it is necessary to make impairment on retention receivables, our Directors would consider individual customers on a case-by-case basis and will take into account the factors including, but not limited to, the customers' credit history, customers' reputation and customers' financial condition. During the Track Record Period, our Group did not experience material difficulty in collecting the retentions receivable from customers and accordingly did not make any impairment in this regard.

### **Deposits, prepayments and other receivables**

Deposits, prepayments and other receivables mainly consist of rental deposit, deposit for the purchase of construction materials and accessories, deposit for the acquisition of machinery and equipment, deposits paid to government departments for environmental compliance, utility deposits, prepayments to staff injured in the course of works in accordance with the Employees' Compensation Ordinance, before settlement of the employee compensation claim to be handled by insurance company and prepayment for listing expenses.

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As at 31 July 2015, deposits, prepayments and other receivables in current assets amounted to approximately HK\$13.1 million which were primarily related to utility deposit and prepayment for listing expenses. The deposits, prepayment and other receivables balance of our Group remained relatively stable at approximately HK\$6.0 million and HK\$6.2 million, as at 31 March 2013 and 2014, and further increased to approximately HK\$9.0 million as at 31 March 2015, primarily due to the prepayment for listing expenses of approximately HK\$2.3 million.

### Amounts due from/to customers for contract work

Our revenue from construction contracts is recognised based on the stage of completion of the contracts. The stage of completion is established by reference to contract works certified. Generally for projects recognised under construction contracts, we apply for progress billing to reflect our works performed every month and our customers issue a payment certificate certifying the portion of works completed after inspection. As it takes time for the payment certificates to be issued, there is normally a timing difference between the completion of site works, the issuance of payment certificates and billing of the construction projects.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. The following table sets out the amounts due from/to customers for contract work as at the end of each financial year as indicated.

	<b>At 31 March</b>			<b>At</b>
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>31 July</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Contracts in progress at the end of each reporting period:</b>				
Contract costs incurred plus recognised profits less recognised losses	573,458	499,784	676,316	922,210
Less: progress billings	<u>(566,729)</u>	<u>(579,960)</u>	<u>(767,764)</u>	<u>(998,655)</u>
 Amounts due to customers for contract work	 <u>6,729</u>	 <u>(80,176)</u>	 <u>(91,448)</u>	 <u>(76,445)</u>

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	<b>At 31 March</b>			<b>At</b>
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>31 July</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>2015</b>
				<i>HK\$'000</i>
<b>Analysed for reporting purpose as:</b>				
Amounts due from customers for contract work	6,729	6,360	5,542	5,542
Amounts due to customers for contract work	<u>–</u>	<u>(86,536)</u>	<u>(96,990)</u>	<u>(81,987)</u>
	<u>6,729</u>	<u>(80,176)</u>	<u>(91,448)</u>	<u>(76,445)</u>

As at 31 March 2013, 2014, 2015 and 31 July 2015, our amount due from customers for contract work were approximately HK\$6.7 million, HK\$6.4 million, HK\$5.5 million and HK\$5.5 million respectively. Such amounts were primarily attributable to a project completed prior to the Track Record Period but our Group was yet to bill the whole value of construction works performed as we did not receive the final payment certificate for the whole amount of certain variation order works from the customer.

As at 31 March 2013, 2014, 2015 and 31 July 2015, our amount due to customers for contract work were approximately nil, HK\$86.5 million, HK\$97.0 million and HK\$82.0 million respectively. Such amounts were primarily attributable to two sizable projects, being Project 46 and Project 32 which we have not recognised profit before reaching a certain milestone percentage according to contracts with our customers as at 31 March 2014.

The amount due from/to customers for contract work are typically affected by the value of works we performed close to the end of each reporting period and the timing of receiving certificates, thus the amounts vary from period to period. Furthermore, considering the vast number of items related to construction works projects, negotiation with customers for the value of work, performed by us set out in the payment certificates is common.

### **Pledged bank deposits/ bank balances and cash**

As at 31 March 2013, 2014, 2015 and 31 July 2015, we pledged deposits of approximately HK\$2.0 million, HK\$2.0 million, HK\$4.0 million and HK\$4.0 million, respectively, to a bank securing certain short-term banking facilities granted to our Group. As at 31 March 2013, 2014, 2015 and 31 July 2015, we had bank balances and cash of approximately HK\$7.6 million, HK\$50.7 million and HK\$126.4 million and HK\$70.5 million respectively.

### **Trade and retention payables analysis**

Our trade and retention payables are primarily related to the purchases of construction materials and parts and consumables, works performed by subcontractors and retention payables in relation to subcontractors for completed and on-going projects.

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## FINANCIAL INFORMATION

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### *Trade payables*

The following table sets out our trade payables during the Track Record Period:

	<b>For the year ended 31 March</b>			<b>For the four months ended 31 July 2015</b>
	<b>2013</b>	<b>2014</b>	<b>2015</b>	
Trade payables ( <i>HK\$'000</i> )	14,829	33,700	33,147	40,193
Cost of services (adjusted for excluding certain direct costs) ( <i>Note</i> ) ( <i>HK\$'000</i> )	173,109	234,695	294,817	132,634
Turnover days of trade payables ( <i>Note</i> )	35 days	38 days	41 days	33 days

*Note:* The trade payables turnover days for a given year is calculated based on the average of beginning and ending total trade payables balance as at the year end divided by the cost of services (excluding wages of direct labour, mandatory provident fund and depreciation expenses of plant and machineries directly involved in projects) for that year and multiplied by the numbers of days of the year or period (i.e. 365 days for a full year and 120 days for the four months ended 31 July).

Whilst our cost of services increased from approximately HK\$260.4 million in FY2013 to approximately HK\$332.9 million in FY2014, our trade payables increased from approximately HK\$14.8 million as at 31 March 2013 to approximately HK\$33.7 million as at 31 March 2014. Despite our Group's cost of services increased further to approximately HK\$415.3 million in FY2015, our trade payables decreased to approximately HK\$33.1 million as at 31 March 2015 due to a decrease in credit purchase near the end of FY2015. As at 31 July 2015, our Group's trade payables further increased to approximately HK\$40.2 million due to increase in credit purchase during the four months ended 31 July 2015. Approximately 95.3% of the trade payables as at 31 July 2015 were subsequently settled up to 31 October 2015.

As our business operates on a non-recurring and project-by-project basis, our cost of services incurred during the Track Record Period may fluctuate, subject to the size and the progress of our construction works at a given time, thereby affecting our trade payables balance as at the respective year ends and the trade payables turnover days during the Track Record Period. During the Track Record Period, our Group's trade payables turnover days were approximately 35 days, 38 days, 41 days and 33 days respectively which were in line with our practice to settle the payment for our suppliers and subcontractors within 30 to 60 days from invoice date.

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## FINANCIAL INFORMATION

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The following is an aging analysis of the trade payables as at each reporting dates:

	For the year ended 31 March			For the four months ended 31 July
	2013	2014	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 90 days	12,830	32,252	31,957	38,990
91 to 180 days	99	1,432	24	53
181 to 365 days	1,900	16	16	–
Over 365 days	–	–	1,150	1,150
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total	<u>14,829</u>	<u>33,700</u>	<u>33,147</u>	<u>40,193</u>

In FY2014, we consumed more construction materials such as steel to perform works on certain sizable projects. As the purchases of construction materials are generally settled by way of account with credit terms of 30 to 60 days, the increase in credit purchase of our construction materials boosted up our trade payables in FY2014. In FY2015, we were not satisfied on the quality of accessories delivered by one of our suppliers in the amount of approximately HK\$1.1 million. As at the Latest Practicable Date, we were negotiating with the supplier for refund of the said amount in full and thus, our trade payables aged over 365 days was increased from nil as at 31 March 2014 to approximately HK\$1.1 million as at 31 March 2015 and 31 July 2015.

### *Retention payables*

As at each of 31 March 2013, 2014, 2015 and 31 July 2015, the retention payables were approximately HK\$1.9 million, HK\$3.5 million, HK\$3.7 million and HK\$4.2 million respectively. Similar to the retention receivables of our Group, when our Group outsources construction works to our subcontractors, our Group will also withhold retention money from our subcontractor. Similar to the terms when our Group acts as subcontractor, the release of retention money varies from contract to contract, which may be subject to, practical completion, the defect liability period or a pre-agreed time period. As a result of our expanding business, we outsourced more of our construction works to subcontractors and our retention payables was in an increasing trend during the Track Record Period. Approximately 14.5% of the retention payables as at 31 July 2015 was subsequently settled up to 31 October 2015.



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## FINANCIAL INFORMATION

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### Accruals and other payables

Accruals and other payables comprises of accrued construction costs and accrued expenses relating to salaries and wages of our staff and professional fees. In FY2014, we had an increase in the number of staff and made provision for our outstanding legal fees. As such, our accrued salaries and wages and legal fees increased by approximately HK\$1.1 million and HK\$2.1 million respectively. In FY2015, we made provision of HK\$2.0 million in relation to a legal dispute with a subcontractor, and accruals for listing expenses of approximately HK\$5.7 million. As such, our accruals and other payables increased from approximately HK\$11.0 million in FY2014 to approximately HK\$19.5 million in FY2015. As at 31 July 2015, our accruals and other payables were decreased to approximately HK\$16.9 million, mainly attributable to the settlement of approximately HK\$2.0 million on the said dispute with the subcontractor during the four months ended 31 July 2015.

For further details about the provision made to the outstanding legal fees, please refer to paragraph headed “Litigation and Potential Claims” in the “Business” section to this prospectus.

### Amounts due from/to shareholders and director

The amounts due from our director and shareholders as at 31 March 2013, 2014, 2015 and 31 July 2015 are set out below:

	As at 31 March			As at
	2013	2014	2015	31 July
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
Mr. Jim ( <i>Note 1</i> )	288	288	–	–
Mr. Wong Kam Hung ( <i>Note 2</i> )	30	430	–	–
Mr. Pang ( <i>Note 1</i> )	<u>70</u>	<u>370</u>	<u>–</u>	<u>–</u>
Total	<u>388</u>	<u>1,088</u>	<u>–</u>	<u>–</u>

*Notes:*

1. Director and shareholder of our Group
2. Shareholder of our Group during the Track Record Period

During FY2015, the abovementioned director and shareholders had settled the outstanding amounts due to us in full.

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## FINANCIAL INFORMATION

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We had amounts due to the below shareholders as at 31 March 2013, 2014, 2015 and 31 July 2015. The amounts are unsecured, interest-free and with no fixed repayment term. The shareholders have given consent to our Group that notice in writing of not less than twelve months is needed for demand for repayment.

	As at 31 March			As at
	2013	2014	2015	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2015</i> <i>HK\$'000</i>
Mr. Jim ( <i>Note 1</i> )	8,252	6,372	–	–
Mr. Chui Mo Ming ( <i>Note 1</i> )	2,198	3,326	–	–
Mr. Wong Kam Hung ( <i>Note 2</i> )	1,000	1,000	–	–
Mr. Pang ( <i>Note 1</i> )	1,000	1,000	–	–
Mr. Ho Wai Keung ( <i>Note 2</i> )	1,000	–	–	–
	<u>13,450</u>	<u>11,698</u>	<u>–</u>	<u>–</u>
<b>Total</b>	<b><u>13,450</u></b>	<b><u>11,698</u></b>	<b><u>–</u></b>	<b><u>–</u></b>

*Notes:*

1. Director and shareholder of our Group
2. Shareholder of our Group during the Track Record Period

For the two years ended 31 March 2014, the amounts due to our Controlling Shareholders (i.e. Mr. Jim and Mr. Chui) are advances for financing the daily operation of our Group and has been repaid in FY2015.

The amounts due to our previous shareholders of Y.H. Foundations, namely Mr. Ho Wai Keung and Mr. Wong Kam Hung, were loan for working capital and fully settled during each of the two years ended 31 March 2015 respectively. The outstanding balance of approximately HK\$1.0 million due to Mr. Pang, being the shareholder of Y.H. Foundations during the Track Record Period was also settled by cash in March 2015.

## FINANCIAL INFORMATION

### INDEBTEDNESS AND CONTINGENT LIABILITIES

As at 31 March 2013, 2014, 2015, 31 July 2015 and 31 October 2015, our Group had a total indebtedness of approximately HK\$68.6 million, HK\$58.1 million, HK\$35.0 million, HK\$34.8 million and HK\$29.3 million. The following table sets forth a summary of our Group indebtedness as at the dates indicated:

	As at 31 March			As at 31 July 2015	As at 31 October 2015
	2013	2014	2015	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					<i>(unaudited)</i>
<b>Current liabilities</b>					
Bank borrowings	18,879	2,300	683	247	–
Secured bank overdrafts	3,361	412	–	–	–
Obligations under finance lease-due within one year	<u>14,989</u>	<u>19,708</u>	<u>15,964</u>	<u>16,044</u>	<u>14,491</u>
	<u>37,229</u>	<u>22,420</u>	<u>16,647</u>	<u>16,291</u>	<u>14,491</u>
<b>Non-current liabilities</b>					
Obligations under finance lease-due after one year	17,964	23,934	18,396	18,530	14,848
Amounts due to shareholders	<u>13,450</u>	<u>11,698</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>31,414</u>	<u>35,632</u>	<u>18,396</u>	<u>18,530</u>	<u>14,848</u>
<b>Total</b>	<b><u>68,643</u></b>	<b><u>58,052</u></b>	<b><u>35,043</u></b>	<b><u>34,821</u></b>	<b><u>29,339</u></b>

#### Bank borrowings and secured bank overdrafts

Our Group raises borrowings to finance the purchases of construction materials, acquisitions of machineries and equipment and to fulfill working capital requirements. We expect to repay the borrowings through our internally generated funds and financing activities. The total outstanding bank borrowings and overdrafts as at 31 March 2013, 2014, 2015, 31 July 2015 and 31 October 2015 were approximately HK\$22.2 million, HK\$2.7 million, HK\$0.7 million, HK\$0.2 million and nil. All bank borrowings and overdrafts are denominated in HK\$.

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Set out below is the maturity profile of our bank borrowings and overdrafts as at the respective dates indicated and the effect of any repayment on demand clauses.

	2013 HK\$'000	At 31 March 2014 HK\$'000	2015 HK\$'000	At 31 July 2015 HK\$'000	As at 31 October 2015 HK\$'000 (unaudited)
Carrying amount repayable ( <i>Note</i> )					
Within one year	16,579	1,617	683	247	-
More than one year, but not exceeding two years	1,617	683	-	-	-
More than two years but not more than five years	<u>683</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>18,879</u>	<u>2,300</u>	<u>683</u>	<u>247</u>	<u>-</u>
Carrying amount of bank borrowings that is not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	2,300	683	-	-	-
Carrying amount repayable within one year	<u>16,579</u>	<u>1,617</u>	<u>683</u>	<u>247</u>	<u>-</u>
	18,879	2,300	683	247	-
Bank overdraft – secured	<u>3,361</u>	<u>412</u>	<u>-</u>	<u>-</u>	<u>-</u>
	22,240	2,712	683	247	-
Amount shown under current liabilities	<u>(22,240)</u>	<u>(2,712)</u>	<u>(683)</u>	<u>(247)</u>	<u>-</u>
Amounts shown under non-current liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

*Note:* The amounts due are based on scheduled repayment dates set out in the loan agreements.

During each year ended 31 March 2013, 2014, 2015, the four months ended 31 July 2015 and the three months ended 31 October 2015, our Group obtained new bank borrowings with amounts of approximately HK\$17.9 million, HK\$10.3 million, nil, nil and nil respectively. The loans bear interests at market rates. The proceeds were used to finance the acquisitions of plant and equipment.

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As at 31 March 2013, 2014, 2015, 31 July 2015 and 31 October 2015, our Group had secured bank loans carried interest at floating rates ranging from 2.62% to 2.96%, 2.62% to 2.96%, 2.42% to 3.00%, 2.64% to 2.74% and 2.72% to 2.76% per annum respectively.

As at 31 March 2013, 2014, 2015, 31 July 2015 and 31 October 2015, our Group had bank overdraft carried interest at floating rates of 4% per annum respectively.

As at 31 March 2013, our Group had trust receipt loans carried interest at 2.21%. Such trust receipt loans were fully repaid during FY2014.

### Amounts due to shareholders

Please refer to the paragraph headed “Amounts due from/to shareholders” in this section.

### Finance leases

Set forth below is the maturity profile of our finance leases as at the respective dates indicated and ignoring the effect of any repayment on demand clauses.

	As at 31 March		As at		As at
	2013	2014	2015	31 July 2015	31 October
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					<i>(unaudited)</i>
Within 1 year	15,866	21,144	16,731	16,840	15,173
Between 1 and 2 years	13,686	12,168	11,747	12,865	10,859
Between 2 and 5 years	4,710	12,051	7,128	6,130	4,308
	34,262	45,363	35,606	35,835	30,340

Typically, our Group becomes the owner of the motor vehicles and machinery at the end of the relevant lease term upon payment of a nominal amount. These finance leases are classified as liabilities of our Group and the relevant machineries and equipment are recorded as assets of our Group. As at 31 March 2013, 2014, 2015, 31 July 2015 and 31 October 2015, the net book value of machineries and equipment of our Group under finance leases amounted to approximately HK\$40.8 million, HK\$62.1 million, HK\$55.9 million, HK\$52.9 million and HK\$48.5 million, respectively. The duration of the lease term of finance leases are usually 2-5 years.

### Banking facilities

As at 31 March 2013, 2014, 2015 and 31 July 2015, our Group had an aggregate of approximately HK\$119.1 million, HK\$170.7 million, HK\$159.6 million and HK\$166.1 million banking facilities. As at 31 October 2015, we had total banking facilities of

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HK\$139.9 million, of which the unutilised and unrestricted banking facilities amounted to approximately HK\$67.9 million. These facilities were secured by:

- (i) pledged bank deposits of our Group;
- (ii) certain properties and securities of a related company, which will be released upon Listing and replaced by corporate guarantees granted by our Group companies;
- (iii) certain receivables of a subsidiary, which will be released upon Listing and replaced by corporate guarantees granted by our Group companies;
- (iv) deposits of HK\$1.5 million from a director of our Company as at 31 March 2013 and 2014; and released in FY2015 and four months ended 31 July 2015;
- (v) guarantee for an amount of approximately 80% of the amount granted by the bank to our Group from the Government as at 31 March 2013 which was released as at 31 July 2015; and
- (vi) unlimited personal guarantee provided by our Controlling Shareholders, which will be released upon Listing and replaced by corporate guarantees granted by our Group companies.

### Contingent liabilities

Set forth below are the guarantees our Group had provided at the respective dates indicated:

	As at 31 March			As at	As at
	2013	2014	2015	31 July 2015	31 October 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Guarantees in respect of performance bonds in favor of its clients	<u>29,134</u>	<u>52,762</u>	<u>51,149</u>	<u>66,372</u>	<u>64,456</u> (unaudited)

In the opinion of our Directors, it is not probable that a claim would be made against our Group under the guarantee; therefore, no provision for such guarantee was made in the combined financial statements in FY2013, FY2014, FY2015 and the four months ended 31 July 2015.

Save as disclosed above, and apart from amounts due to customers for contract works, our Group did not have, at the close of business on 31 October 2015, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities. Our Directors confirmed that (i) there has not been any material change in our indebtedness and contingent liabilities since 31 October 2015 and up to the Latest Practicable Date; (ii) the bank loans

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and bank facilities are subject to the standard banking conditions and covenants; (iii) our Group has complied with all of the covenants under our bank borrowings during the Track Record Period; (iv) our Group has not received any notice from the bank indicating that it might withdraw or downsize the bank loans and bank facility; and (v) our Group does not have any material external debt financing plans as at the Latest Practicable Date.

### OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, our Group did not have any material off-balance sheet commitments and arrangements.

### ANALYSIS OF SELECTED FINANCIAL RATIOS

Selected Ratios	Formulae	As at/for the year ended 31 March			As at/for the four months ended 31 July
		2013	2014	2015	2015
Return on assets	Net profit/total assets x 100%	13.3%	8.3%	24.8%	N/A (Note 2)
Return on equity	Net profit/total equity x 100%	33.3%	26.6%	62.0%	N/A (Note 2)
Gearing ratio	Total debt/total equity (Note 1)	82.9%	51.1%	25.1%	22.3%
Current ratio	Current assets/current liabilities	1.7 times	1.3 times	1.4 times	1.6 times
Quick ratio	(Current assets – inventories)/ current liabilities	1.7 times	1.3 times	1.4 times	1.6 times
Interest coverage	Profit before interest and tax/finance costs	18.5 times	15.2 times	61.1 times	107.6 times

*Notes:*

1. Total debt includes bank overdrafts, bank loans, obligations under finance leases.
2. Calculation of return on assets and return on equity is on a full year basis.

#### Return on assets

Our return on assets were approximately 13.3%, 8.3% and 24.8% in FY2013, FY2014 and FY2015, respectively. We recorded an improved return on assets over the Track Record Period primarily due to the increase in the value of construction works contracts completed by our Group certified by our customers or authorised persons employed by our customers. This in turn increased our net profit and the rate of increase in our net profit over the Track Record Period exceeds the rate of increase in our total assets over the same period.

Our net profit increased from approximately HK\$22.2 million in FY2013 to approximately HK\$24.2 million in FY2014, and increased further to approximately HK\$86.6 million in FY2015, while our total assets increased from approximately HK\$166.1 million as at 31 March 2013 to approximately HK\$290.2 million as at 31 March 2014, and increased further to approximately HK\$349.1 million as at 31 March 2015.

#### Return on equity

Our return on equity was approximately 33.3%, 26.6% and 62.0% in FY2013, FY2014 and FY2015, respectively. Our return on equity improved over the Track Record Period,

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primarily attributable to the increase in the value of construction contracts completed by our Group, certified by our customers or authorised persons employed by our customers, which in turn increased our net profit. In addition, such rates of increase in our net profit over the Track Record Period exceeded the rate of increase in our total equity over the Track Record Period.

Our net profit increased from approximately HK\$22.2 million in FY2013 to approximately HK\$24.2 million in FY2014, and increased further to approximately HK\$86.6 million in FY2015, while our total equity increased from approximately HK\$66.6 million as at 31 March 2013 to approximately HK\$90.8 million as at 31 March 2014, and increased further to approximately HK\$139.6 million as at 31 March 2015.

### **Gearing ratio**

Our gearing ratio as at 31 March 2013, 2014, 2015 and 31 July 2015 was approximately 82.9%, 51.1%, 25.1% and 22.3% respectively. The decreasing trend of our gearing ratio during the Track Record Period was mainly due to our repayment of bank borrowings over the period.

### **Current ratio and Quick ratio**

The current ratio of our Group as at 31 March 2013, 2014, 2015 and 31 July 2015 was approximately 1.7 times, 1.3 times, 1.4 times and 1.6 times respectively. The increasing trend of our current ratio during the Track Record Period was driven by the increase in trade and retention receivables and bank balances and cash over the period. As we do not maintain any inventory, our quick ratio was the same as our current ratio.

### **Interest coverage**

The interest coverage ratio of our Group during the Track Record Period was approximately 18.5 times, 15.2 times, 61.1 times and 107.6 times respectively. Our Group continued to finance the acquisitions of machineries and equipment with finance leases and bank loans. Finance costs increased from approximately HK\$1.5 million in FY2013, to approximately HK\$2.0 million in FY2014 as our Group has increased our finance lease from approximately HK\$33.0 million as at 31 March 2013 to approximately HK\$43.6 million as at 31 March 2014. During FY2015 and the four months ended 31 July 2015, our finance cost has been decreasing due to repayment of certain bank borrowings and thus, the interest coverage ratio of our Group was an increasing trend since FY2015.

## **QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

### **Interest rate risk**

Our Group is exposed to fair value interest rate risk in relation to fixed-rate obligations under finance leases. The Company currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

Our Group is also exposed to cash flow interest rate risk in relation to pledged bank deposits bank balances, variable-rate bank borrowings and obligations under finance leases. It



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is our Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

Our Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. Our Group cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from our Group's Hong Kong dollar denominated borrowings.

### **Credit risk**

Our Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 March 2013, 2014, 2015 and 31 July 2015 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the combined statements of financial position. In order to minimise the credit risk, our Group has delegated a team responsible for determination of 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 and other receivables regularly 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 Directors consider the credit risk attributable to the amounts due from a director and shareholders to be insignificant as full settlement has been received from the related parties subsequently.

As at 31 March 2013, 2014, 2015 and 31 July 2015, our Group has concentration of credit risk as approximately 60%, 33%, 45% and 45% of the total trade receivables was due from our Group's largest customer while approximately 90%, 80%, 86% and 97% of the total trade receivables was due from our Group's five largest customers respectively.

Our Group's concentration of credit risk by geographical locations is in Hong Kong, which accounted for all of the total trade receivables as at 31 March 2013, 2014, 2015 and 31 July 2015 respectively.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

### **Liquidity risk**

We manage liquidity risk by monitoring and maintaining (i) a level of cash and cash equivalents deemed adequate by our management team to meet operational needs; and (ii) sufficient headroom on our undrawn committed borrowing facilities at all times so that our Group does not breach borrowing limits or covenants (where applicable) on any of our borrowing facilities.

Taking into account the expected cash inflow from operations of our Group and the undrawn banking facilities, our Directors believe that our Group has sufficient resources to meet our debt obligations with banks and working capital needs.

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### RELATED PARTY TRANSACTIONS

With respect to the related parties transactions set out in note 35 of the Accountants' Report in Appendix I to this prospectus, our Directors believe that such transactions were conducted on normal commercial terms and such terms were no less favourable to our Group than terms available to Independent Third Parties and were fair and reasonable and in the interests of our Shareholders as a whole.

### DIVIDEND POLICY

A member of our Group declared interim dividend of nil, nil and HK\$40.0 million and HK\$25.2 million respectively for the years ended 31 March 2013, 2014 and 2015 and the four months ended 31 July 2015. They were settled and financed by our internal resources. Our Group also declared and paid interim dividends of HK\$42.0 million and HK\$30.0 million in August and November 2015 respectively. Our Group further declared an interim dividend of HK\$30.0 million in November 2015 and subsequently paid in December 2015. The declaration and payment of future dividends will be subject to the decision of the Board having regard to various factors, including but not limited to our operations and financial performance, profitability, business development, prospects, capital requirements and economic outlook. It is also subject to the approval of our Shareholders as well as any applicable laws. The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payout ratio. Prospective investors should note that historical dividend distributions are not indicative of our future dividend distribution policy and there is no guarantee that dividends will be paid in the future.

### DISTRIBUTABLE RESERVES

As of 31 July 2015, the Company has no reserves available for distribution to our Shareholders. The Companies Law provides that share premium account of a company incorporated in the Cayman Islands, such as our Company, may be applied in such manner as it may from time to time determine, subject to the provisions, if any, of its memorandum and articles of association, provided that no distribution or dividend may be paid to its members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, such company shall be able to pay its debts as they fall due in the ordinary course of business.

### LISTING EXPENSES

The total expenses in relation to the Listing to be paid by our Group are currently estimated to be approximately HK\$18.3 million based on the Offer Price of HK\$0.86 (being the mid-point of the Offer Price range stated in this prospectus). HK\$9.1 million have already been recorded in the combined statements of profit or loss and other comprehensive income in FY2015 and the four months ended 31 July 2015. Another HK\$2.7 is expected to be charged to the combined statements of profit or loss and other comprehensive income for the year ending 31 March 2016. The balance of the expenses of HK\$6.5 million will be recorded as equity of our Company. Our Directors would like to emphasise that such amount of total expenses is a current estimate for reference only, and the final amount is subject to adjustment based on audit and changes in variables and assumptions.

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### NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, 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 since 31 July 2015 (being the date to which the latest audited combined financial statements of our Group were made up).

### UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted combined net tangible assets of our Group which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Share Offer on the combined net tangible assets of our Group attributable to the equity holders of the Company as of 31 July 2015 as if the Share Offer had taken place on 31 July 2015. The unaudited pro forma statement of adjusted net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the net tangible assets of our Group as at 31 July 2015 or at any future dates following the Share Offer. The unaudited pro forma statement of adjusted net tangible assets of our Group is based on the audited combined net tangible assets of our Group attributable to the equity holders of the Company as at 31 July 2015 as set out in the Accountants' Report of the Company, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

	Audited combined net tangible assets of our Group attributable to the equity holders of the Company as at 31 July 2015 <i>(Note 1)</i> HK\$'000	Estimated net proceeds from the Share Offer <i>(Note 2)</i> HK\$'000	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company as at 31 July 2015 HK\$'000	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share as at 31 July 2015 <i>(Note 3)</i> HK\$
Based on an Offer Price of HK\$0.69 per Share	<u>156,265</u>	<u>80,282</u>	<u>236,547</u>	<u>0.47</u>
Based on an Offer Price of HK\$1.03 per Share	<u>156,265</u>	<u>121,613</u>	<u>277,878</u>	<u>0.56</u>

*Notes:*

- The audited combined net tangible assets attributable to owners of the Company as at 31 July 2015 is extracted from the accountants' report as set out in Appendix I to this prospectus.

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## FINANCIAL INFORMATION

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2. The estimated net proceeds from the Share Offer of 125,000,000 new Shares are based on the Offer Price of HK\$0.69 and HK\$1.03 per Share, after deduction of the underwriting fees and other related expenses paid/payable by the Company. The calculation of the estimated net proceeds from the Share Offer does not take into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme.
3. The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share is calculated based on 500,000,000 Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue on 31 July 2015 but takes no account of any Shares which may be issued upon the exercise of the options that may be granted under the Share Option Scheme.
4. The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company and the unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share have not taken into account the dividend declared on August 2015, 17 November 2015 and 24 November 2015 for payment to the then shareholders of the entity (namely Yee Hop Engineering) amounting to HK\$42,000,000, HK\$30,000,000 and HK\$30,000,000 respectively. The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at 31 July 2015 would have been reduced to HK\$134,547,000 and HK\$175,878,000 and the unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share would have been reduced to HK\$0.27 and HK\$0.35 per Share, based on the Offer Price of HK\$0.69 and HK\$1.03 per Share respectively, after taking into account the payment of the dividend in the sum of approximately HK\$102,000,000.
5. No adjustments have been made to the unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 31 July 2015.

### DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, save and except for the guarantees provided by the Controlling Shareholders on the Group's facilities as disclosed in the section headed "Relationship with the Controlling Shareholders — Financial independence" in this prospectus, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules had the Shares been listed on the Stock Exchange.

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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS

For a detailed description of our future plans, please refer to the section headed “Business — Business Strategies” in this prospectus.

### USE OF PROCEEDS

We estimate that the aggregate net proceeds from the Share Offer, after deducting underwriting commissions and estimated expenses paid and payable by our Company in connection thereto, to be approximately HK\$89.2 million, assuming the Offer Price of HK\$0.86 per Share, being the mid-point of the proposed Offer Price range of HK\$0.69 to HK\$1.03 per Share.

We intend to apply such net proceeds in the following manner:

- a. approximately HK\$53.7 million or approximately 60.2% of the net proceeds to expand capacity on foundation business and purchase new machineries and vehicles to improve operation efficiency and enhance working capacity;
- b. approximately HK\$26.0 million or approximately 29.1% of the net proceeds to expand capacity on tunneling business and purchase new machineries to enhance working capacity;
- c. approximately HK\$7.1 million or approximately 8.0% of the net proceeds will be used as strengthen established position in the industry by increasing the management staff; and
- d. approximately HK\$2.4 million or approximately 2.7% of the net proceeds will be used as general working capital of our Group.

If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, assuming none of the Adjustment Options is exercised, the net proceeds of the Share Offer will increase or decrease by approximately HK\$20.7 million. We will adjust the allocation of the net proceeds for the abovementioned purposes 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.

To the extent that the net proceeds of the Share Offer are not immediately applied to the above purposes, it is our present intention that such net proceeds will be deposited into interest-bearing bank accounts with licensed banks and/or financial institutions in Hong Kong.

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## UNDERWRITING

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### **PUBLIC OFFER UNDERWRITERS**

#### **Sole Global Coordinator**

Ping An of China Securities

#### **Joint Bookrunners**

Ping An of China Securities

China Investment Securities International Brokerage Limited

#### **Joint Lead Managers**

Aristo Securities Limited

Sinolink Securities (Hong Kong) Company Limited

### **UNDERWRITING ARRANGEMENTS AND EXPENSES**

#### **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 agreed to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares now being offered which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

##### *Grounds for termination*

The obligations of the Public Offer Underwriters to subscribe for, or procure subscribers for the Public Offer Shares are subject to termination. The Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) shall have the absolute right by notice in writing to the Company to terminate the Public Offer Underwriting Agreement with

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## UNDERWRITING

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immediate effect at any time prior to 8:00 a.m. on the Listing Date (the “**Termination Time**”) if any of the following events shall occur prior to the Termination Time:

1. There comes to the notice of the Sole Global Coordinator:
  - (a) any matter or event showing any of the representations, warranties, agreements and undertakings given to the Public Offer Underwriters under the Public Offer Underwriting Agreement (the “**Warranties**”) to be untrue, inaccurate or misleading in any material respect when given or repeated or there has been a breach of any of the Warranties or any other provisions of the Public Offer Underwriting Agreement by any party to the Public Offer Underwriting Agreement other than the Public Offer Underwriters which, in any such cases, is considered, in the reasonable opinion of the Sole Global Coordinator, to be material in the context of the Public Offer; or
  - (b) any statement contained in this prospectus has become or been discovered to be untrue, incorrect or misleading in any material respect which is considered, in the reasonable opinion of the Sole Global Coordinator, to be material in the context of the Public Offer; or
  - (c) any event, series of events, matters or circumstances occurs or arises on or after the date of the Public Offer Underwriting Agreement and before the Termination Time, being events, matters or circumstances which, if it had occurred before the date of the Public Offer Underwriting Agreement, would have rendered any of the Warranties untrue, incorrect or misleading in any material respect, and which is considered, in the reasonable opinion of the Sole Global Coordinator to be material in the context of the Public Offer; or
  - (d) any matter which, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted, in the reasonable opinion of the Sole Global Coordinator, a material omission in the context of the Public Offer; or
  - (e) any event, act or omission which gives or is likely to give rise to any liability of a material nature of the Company and any of the executive Directors and the Controlling Shareholders arising out of or in connection with the breach of any of the Warranties; or
  - (f) any breach by any party to the Public Offer Underwriting Agreement other than the Public Offer Underwriters of any provision of the Public Offer Underwriting Agreement which, in the reasonable opinion of the Sole Global Coordinator, is material;
2. there shall have developed, occurred, existed, or come into effect any event or series of events, matters or circumstances whether occurring or continuing on and/or after the date of the Public Offer Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:
  - (a) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other

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## UNDERWRITING

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competent authority in Hong Kong, the PRC, BVI, the Cayman Islands or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to the business of our Group; or

- (b) any change in, or any event or series of events or development resulting or likely to result in any change in Hong Kong, the PRC, BVI, the Cayman Islands or any of the jurisdictions relevant to the business of our Group, the local, regional or international financial, currency, political, military, industrial, economic, stock market or other market conditions or prospects; or
- (c) any adverse change in the conditions of Hong Kong or international equity securities or other financial markets; or
- (d) the imposition of any moratorium, suspension or material restriction on trading in securities generally on any of the markets operated by the Stock Exchange due to exceptional financial circumstances; or
- (e) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong, the PRC, BVI, the Cayman Islands or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or other jurisdiction relevant to our Group's business; or
- (f) any adverse change or prospective adverse change in the business or in the financial or trading position or prospects of any member of our Group; or
- (g) the imposition of economic sanction or withdrawal of trading privileges, in whatever form, by the U.S. or by the European Union (or any member thereof) on Hong Kong or the PRC; or
- (h) a general moratorium on commercial banking activities in the PRC or Hong Kong declared by the relevant authorities; or
- (i) any event of force majeure including, without limiting the generality thereof, any act of God, military action, riot, public disorder, civil commotion, fire, flood, tsunami, explosion, epidemic, terrorism, strike or lock-out;

which, in the reasonable opinion of the Sole Global Coordinator acting in good faith:

- (a) is or will be, or is likely to be, adverse, in any material respect, to the business, financial or other condition or prospects of our Group taken as a whole; or
- (b) has or will have or is reasonably likely to have a material adverse effect on the success of the Share Offer or the level of the Offer Shares being applied for or accepted, or the distribution of the Offer Shares; or
- (c) makes it impracticable, inadvisable or inexpedient for the Public Offer Underwriters to proceed with the Public Offer as a whole.



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## UNDERWRITING

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For the above purpose:

- (a) a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the U.S. or a material devaluation of the Renminbi against any foreign currencies shall be taken as an event resulting in a change in currency conditions; and
- (b) any normal market fluctuations shall not be construed as events or series of events affecting market conditions referred to above.

### **Undertakings to the Stock Exchange under the Listing Rules**

#### ***By us***

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that, except pursuant to 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.

#### ***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, it/he/she 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/her 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/she 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/she would cease to be a controlling shareholder (as defined in the Listing Rules).

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## UNDERWRITING

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Each of the 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/her shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it/he/she will:

- (a) when it/he/she pledges or charges any Shares beneficially owned by it/him/her in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform us of such pledge or charge together with the number of Shares so pledged or charged; and
- (b) when it/he/she receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform us of such indications.

Our Company shall inform the Stock Exchange in writing as soon as it has been informed of any of the matters referred to above (if any) by the Controlling Shareholders and disclose such matters by way of an announcement to be published in accordance with the Listing Rules as soon as possible.

### **Undertakings Pursuant to the Public Offer Underwriting Agreement**

Pursuant to the Public Offer Underwriting Agreement, our Company had undertaken to each of the Sole Global Coordinator, the Sole Sponsor, the Joint Lead Managers and the Public Offer Underwriters that, except pursuant to the Share Offer (including pursuant to the Adjustment Options), the Capitalisation Issue, the grant of options under the Share Option Scheme and the issue of Shares upon exercise of any such options or as otherwise permitted under the Listing Rules, our Company will not, and our Company, the Controlling Shareholders and each of our executive Directors will procure, that our subsidiaries will not, unless with the prior written consent of the Sole Global Coordinator (on behalf of the Public Offer Underwriters), such consent not to be unreasonably withheld or delayed, and in compliance with the requirements of the Listing Rules:

- (i) allot or issue, or agree to allot or issue, Shares or other securities of our Company (including warrants or other convertible or exchangeable securities) or grant or agree to grant any options, warrants, or other rights to subscribe for or convertible or exchangeable into Shares or other securities of our Company; or
- (ii) enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequence of ownership of any Shares or offer to or agree to do any of the foregoing or announce any intention to do so,

during the six months immediately following the Listing Date (the “**First Six-month Period**”).

In the event of our Company doing any of the foregoing by virtue of the aforesaid exceptions or 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.

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## UNDERWRITING

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Each of the Controlling Shareholders has jointly and severally undertaken to each of the Sole Global Coordinator, our Company and the Public Offer Underwriters that during the First Six-month Period, it or he shall not, and shall procure that the relevant registered holder(s) and its or his associates and companies controlled by it or he and any nominee or trustee holding in trust for it or he shall not, without the prior written consent of the Sole Global Coordinator unless as a result of any exercise of the Over-allotment Option or otherwise in compliance with the requirements of the Listing Rules:

- (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the Shares in respect of which it or he is shown in this prospectus to be directly or indirectly interested in (the “**Relevant Securities**”); or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities, whether any of the foregoing transactions is to be settled by delivery of the Relevant Securities or such other securities, in cash or otherwise; or
- (iii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (i) or (ii) above; or
- (iv) announce any intention to enter into or effect any of the transactions referred to in paragraphs (i), (ii) or (iii) above.

Each of the Controlling Shareholders has jointly and severally undertaken to the Sole Global Coordinator, the Joint Lead Managers, our Company and the Public Offer Underwriters that it or he shall not, and shall procure that the relevant registered holder(s) and its or his associates or companies controlled by it or him and any nominee or trustee holding in trust for it or him shall not, without the prior written consent of the Stock Exchange in the Second Six-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Relevant Securities held by it or him or any of its or his associates or companies controlled by it or him or her or any nominee or trustee holding in trust for it or him if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it or he would cease to be a Controlling Shareholder or would together with the other Controlling Shareholders cease to be, or be regarded as, Controlling Shareholders.

In the event of a disposal of any of the Shares or securities of our Company directly or indirectly beneficially owned by it or him or any interest therein within the Second Six-month Period, the relevant Controlling Shareholder shall take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for any Shares or other securities of our Company.

Each of the Controlling Shareholders has further undertaken to each of the Sole Global Coordinator, the Joint Bookrunners, our Company and the Public Offer Underwriters that within the first twelve months from the Listing Date, he or it will:

- (i) when he or it pledges or charges any securities or interests in the securities of our Company beneficially owned by him or it directly or indirectly, immediately inform

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## UNDERWRITING

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our Company and the Sole Global Coordinator in writing of such pledges or charges together with the number of securities and nature of interests so pledged or charged; and

- (ii) when he or it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company and the Sole Global Coordinator in writing of such indications.

Our Company will inform the Stock Exchange as soon as we have been informed of the matters above (if any) by the Controlling Shareholders and disclose such matters by way of a press announcement.

### **The Placing**

In connection with the Placing, it is expected that our Company will enter into the Placing Underwriting Agreement with, among others, the Placing Underwriters, on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below. Under the Placing Underwriting Agreement, the Placing Underwriters will severally agree to subscribe or procure subscribers for the Placing Shares being offered pursuant to the Placing.

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.

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 him/her/it 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 — Public Offer — Undertakings Pursuant to the Public Offer Underwriting Agreement” in this section.

### **Commissions and expenses**

The Underwriters will receive a gross underwriting commission at the rate of 2.75% of the aggregate Offer Price payable for the Offer Shares (including shares to be issued pursuant to the Adjustment Options), out of which they will pay any sub-underwriting commissions. Such commission, together with the Stock Exchange listing fees, the Stock Exchange trading fees, the SFC transaction levy, legal and other professional fees, printing, and other expenses relating to the Share Offer, is currently estimated to be approximately HK\$18.3 million in aggregate (based on an Offer Price of HK\$0.86 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.69 per Offer Share and HK\$1.03 per Offer Share and the assumption that none of the Adjustment Options is exercised) and is paid or payable by our Company.

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## **UNDERWRITING**

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### **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.

### **INDEPENDENCE OF THE SOLE SPONSOR**

Ping An of China Capital, being the Sole Sponsor, satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

### **RESTRICTIONS ON THE OFFER SHARES**

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

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### THE SHARE OFFER

This prospectus is published in connection with the Public Offer as part of the Share Offer. Ping An of China Capital is the Sole Sponsor, Ping An of China Securities is the Sole Global Coordinator, Ping An of China Securities and China Investment Securities International Brokerage Limited are the Joint Bookrunners and Aristo Securities Limited and Sinolink Securities (Hong Kong) Company Limited are the Joint Lead Managers.

The Share Offer consists of (subject to reallocation and the Adjustment Options):

- the Public Offer of 12,500,000 Shares (subject to reallocation as mentioned below) in Hong Kong as described under the paragraph headed “Structure and Conditions of the Share Offer – The Public Offer” of this prospectus; and
- the Placing of 112,500,000 Shares (subject to reallocation and the Adjustment Options as mentioned below) in Hong Kong as described under the paragraph headed “Structure and Conditions of the Share Offer – The Placing” of this prospectus.

Of the 12,500,000 Shares being offered under the Public Offer, up to 1,248,000 Shares (representing approximately 10% of the total number of Public Offer Shares initially being offered and approximately 1% of the total number of Offer Shares being offered under the Share Offer) are available for subscription by the Eligible Employees on a preferential basis under the Employee Preferential Offering, subject to the terms and conditions set out in this prospectus and the **PINK** Application Forms.

Investors may apply for the Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the Placing, but may not do both. The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and other investors in Hong Kong. The Placing will involve selective marketing of the Offer Shares to institutional and professional investors. The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the Placing. Prospective investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price.

Eligible Employees may make an application for the Employee Reserved Shares on a **PINK** Application Form. Directors and directors of any of our subsidiaries and their respective Affiliates shall not apply for Employee Reserved Shares under the Employee Preferential Offering and shall not apply for Public Offer Shares as members of the public in the Public Offer and shall not apply for or indicate an interest in acquiring the Placing Shares under the Placing. All Eligible Employees may apply for Public Offer Shares in the Public Offer and Employee Reserved Shares in the Employee Preferential Offering but may not apply for or indicate an interest for Placing Shares under the Placing.

The number of Offer Shares to be offered under the Public Offer and the Placing respectively may be subject to reallocation as described in the paragraph headed “Structure and Conditions of the Share Offer – Pricing and Allocation” of this prospectus.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### PRICING AND ALLOCATION

#### Offer Price

The Offer Price will be not more than HK\$1.03 per Offer Share and is expected to be not less than HK\$0.69 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer, as explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

#### Price payable on application

Applicants under the Public Offer must pay, on application, the maximum indicative Offer Price of HK\$1.03 per Public Offer Share plus 1% brokerage, a 0.0027% SFC transaction levy and a 0.005% Stock Exchange trading fee, amounting to a total of HK\$4,161.52 for one board lot of 4,000 Shares. Each Application Form includes a table showing the exact amounts payable on certain numbers of Offer Shares. If the Offer Price as finally determined in the manner described below, is less than HK\$1.03 per Public Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants without interest.

#### Determining the Offer Price

The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Shares in the Placing. Prospective investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or about 11 December 2015.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or about 11 December 2015 and in any event, no later than 6:00 p.m. on 12 December 2015.

**If, for any reason, our Company and the Sole Global Coordinator (on behalf of the Underwriters) are unable to reach agreement on the Offer Price at or before 6:00 p.m. on 12 December 2015, the Share Offer will not proceed and will lapse.**

#### Reduction in Offer Price range and/or number of Offer Shares

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Sole Global Coordinator (on behalf of the Underwriters) considers it appropriate and together with our consent, the indicative Offer Price range and/or the number of Offer Shares may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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In such a case, our Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause to be published in The Standard (in English) and the Sing Tao Daily (in Chinese) notice of the reduction in the indicative Offer Price range and/or number of Offer Shares. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed “Summary” of this prospectus and any other financial information which may change as a result of such reduction. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of the publication of any such notice, the Offer Price shall under no circumstances be set outside the Offer Price range indicated in this prospectus.

**Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Public Offer.**

### **Allocation**

The Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

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 Shares after Listing. Such allocation may be made to professional, institutional and other investors and is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and the Shareholders as a whole.

Allocation of the Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

### **Announcement of final Offer Price and basis of allocations**

The applicable final Offer Price, the level of indications of interest in the Placing and the level of applications in the Public Offer and the Employee Preferential Offering and the basis of allocations of the Public Offer Shares and the Employee Reserved Shares are expected to be announced on 17 December 2015 in The Standard (in English) and Sing Tao Daily (in Chinese), our Company’s website at [www.yee-hop.com.hk](http://www.yee-hop.com.hk) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

Results of allocations in the Public Offer and the Employee Preferential Offering, including the Hong Kong identity card/passport/Hong Kong business registration numbers of



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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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successful applicants (where applicable) and the number of Public Offer Shares successfully applied for under **WHITE**, **YELLOW** and **PINK** application forms, or by giving **electronic application instructions** to HKSCC or by applying online through the **HK eIPO White Form** Service Provider under the **HK eIPO White Form** service, will be made available through a variety of channels as described in the section headed “How to Apply for the Public Offer Shares and Employee Reserved Shares — 11. Publication of Results” of this prospectus.

### CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares will be conditional upon, among other things:

- the Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including the Shares which may be made available pursuant to the Capitalisation Issue, the exercise of the Adjustment Options and any Shares which may fall to be issued upon the exercise of the options which may be granted under the Share Option Scheme);
- the Offer Price having been duly agreed on or around the Price Determination Date;
- the execution and delivery of the Placing Underwriting Agreement on or around the Price Determination Date; and
- the obligations of the Underwriters under each of the Placing Underwriting Agreement and the Public Offer Underwriting Agreement having become 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 such Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not beyond the 30th day after the date of this prospectus.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived, prior to the dates and times specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will cause to be published by us in The Standard (in English) and Sing Tao Daily (in Chinese) on the next day following such lapse.

**Share certificates for the Offer Shares are expected to be issued on 17 December 2015 but will only become valid certificates of title at 8:00 a.m. on 18 December 2015, provided that (i) the Share Offer has become unconditional in all respects and (ii) the right of termination as described in the paragraph headed “Underwriting – Underwriting Arrangements and Expenses – The Public Offer – Grounds for Termination” of this prospectus has not been exercised.**

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### THE PUBLIC OFFER

#### Number of Shares initially offered

Our Company is initially offering 12,500,000 Shares at the Offer Price, representing 10% of the 125,000,000 Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to reallocation 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 exercised). The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and other 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 as set out in the sub-section headed “Structure and Conditions of the Share Offer – Conditions of the Share Offer” above.

In addition to any application for Employee Reserved Shares on a **PINK** Application Form, Eligible Employees will be entitled to apply for the Public Offer Shares on a **WHITE** or **YELLOW** Application Form or by submitting application online through the designated website of the **HK eIPO White Form** Service Provider or giving electronic application instruction to HKSCC via CCASS.

As at the Latest Practicable Date, there were approximately 323 Eligible Employees. In case not all the 1,248,000 Employee Reserved Shares are validly subscribed for by the Eligible Employees, the undersubscribed Employee Reserved Shares will be available as Public Offer Shares for subscription by the public under the Public Offer.

#### Employee Preferential Offering

Up to 1,248,000 Employee Reserved Shares, representing approximately 10% of the Offer Shares initially available under the Public Offer and approximately 1% of the Offer Shares available under the Share Offer are available for subscription by the Eligible Employees on a preferential basis. Directors and directors of any of our subsidiaries and their respective Affiliates shall not apply for Employee Reserved Shares under the Employee Preferential Offering and shall not apply for Public Offer Shares as members of the public in the Public Offer and shall not apply for or indicate an interest in acquiring the Placing Shares under the Placing. All Eligible Employees may apply for Public Offer Shares in the Public Offer and Employee Reserved Shares in the Employee Preferential Offering but may not apply for or indicate an interest for Placing Shares under the Placing. Such Eligible Employees will receive no preference as to entitlement or allocation in respect of such further applications for Public Offer Shares under the Public Offer. For further details, see “How to Apply for the Public Offer Shares and Employee Reserved Shares” in this prospectus.

The 1,248,000 Employee Reserved Shares available for application by Eligible Employees on **PINK** Application Forms will be allocated to such applicants on a basis to be determined by our Hong Kong Share Registrar based on the level of valid applications received under the Employee Preferential Offering and the number of Employee Reserved Shares validly applied for within each application tier. The allocation basis will be consistent

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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with the allocation basis commonly used in the case of over-subscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications. The Employee Reserved Shares will be balloted if there are insufficient Employee Reserved Shares available to **PINK** Application Form applicants. If balloting is conducted, one or more Eligible Employee(s) may be allocated more Employee Reserved Shares than others who have applied for the same number of Employee Reserved Shares, and those Eligible Employees who have applied for Employee Reserved Shares and who are not successful in the ballot may not receive any Employee Reserved Shares.

The allocation of Employee Reserved Shares to Eligible Employees will in any event be made on an equitable basis and will not be based on the identity, seniority, work performance or length of service of the Eligible Employees. No favour will be given to the Eligible Employees who apply for a large number of Employee Reserved Shares. Any application made on a **PINK** Application Form for more than 1,248,000 Employee Reserved Shares will be rejected. Allocation of Employee Reserved Shares under the Employee Preferential Offering will be based on the allocation guidelines contained in Practice Note 20 to the Listing Rules.

### **Allocation**

Allocation of Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

The total number of Public Offer Shares initially being offered for subscription under the Public Offer) (after taking into account any reallocation in the number of Offer Shares allocated between the Public Offer and the Placing and after deducting the number of Employee Reserved Shares validly applied for under the Employee Preferential Offering) will be divided equally (subject to adjustment of odd lot size) into two pools: Pool A and Pool B with any odd board lots being allocated to Pool A. Assuming all the Employee Reserved Shares are validly subscribed for and allocated to applicants under the **PINK** Application Forms, Pool A will comprise 5,628,000 Public Offer Shares and Pool B will comprise 5,624,000 Public Offer Shares, both of which are available on a fair basis to successful applicants. All valid applications that have been received for Public Offer Shares with a total amount (excluding brokerage fee, SFC transaction levy and the Stock Exchange trading fee) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for Public Offer Shares with a total amount (excluding brokerage fee, SFC transaction levy and Stock Exchange trading fee) of over HK\$5 million and up to the total value of Pool B, will fall into Pool B.

If the Employee Reserved Shares are not fully taken up, any excess Employee Reserved Shares will be reallocated to Pool A and Pool B in equal proportions.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Public Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Public Offer Shares will be transferred to the other pool to

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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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 5,624,000 Public Offer Shares.

### **Reallocation**

The allocation of the Shares between the Public Offer and the Placing is subject to reallocation. 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 Offer Shares available under the Public Offer will be increased to 37,500,000 Shares, 50,000,000 Shares and 62,500,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Share Offer (before any exercise of the Over-allotment Option). In such cases, the number of Offer Shares allocated in the Placing will be correspondingly reduced, in such manner as the Sole Global Coordinator deems appropriate.

If the Public Offer Shares are not fully subscribed for, the Sole Global Coordinator may, at its sole and absolute discretion, reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportion as the Sole Global Coordinator deems appropriate.

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 Sole Global Coordinator deems appropriate. On the other hand, the Sole Global Coordinator may, at its sole and absolute discretion, reallocate such number of 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 sole and absolute discretion of the Sole Global Coordinator.

### **Applications**

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the Placing, and who has made an application under the Public Offer to provide sufficient information to the Sole Global Coordinator 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 Offer 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.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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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 112,500,000 Shares, representing 90% of the Offer Shares under the Share Offer. The Placing is subject to the Public Offer being unconditional.

#### Allocation

The Placing Underwriters are soliciting from prospective professional, institutional and other investors, indications of interest in subscribing for the Placing Shares. Prospective professional, institutional and other investors will be required to specify the number of Placing Shares they would be prepared to subscribe for at the Offer Price. This process is known as “book building”. In Hong Kong, retail investors should apply for the Public Offer Shares, as retail investors applying for the Placing Shares, including retail investors applying through banks and other institutions, are unlikely to be allocated any Placing Shares.

Allocation of Placing Shares is based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to buy further and/or hold or sell its Shares after the Listing. Such allocation is generally intended to result in a distribution of Placing Shares on a basis which would lead to the establishment of a broad 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.

#### Offer Size Adjustment Option

If the final Offer Price as agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Placing Underwriters) is less than HK\$0.8 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 18,750,000 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

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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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](http://www.hkexnews.hk) and our Company's website at [www.yee-hop.com.hk](http://www.yee-hop.com.hk).

If the Offer Size Adjustment Option is exercised in full, the additional 18,750,000 Shares and the 125,000,000 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 and the Sole Global Coordinator (for itself and on behalf of the Placing Underwriters) is HK\$0.8 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 Placing 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 18,750,000 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.

If the Over-allotment Option is exercised in full, the additional 18,750,000 Shares and the 125,000,000 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 new securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong, activity aimed at reducing the market price is prohibited and the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Share Offer, Ping An of China Securities, as stabilising manager, or any person acting for it, on behalf of the Underwriters may over-allocate or effect any other

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on Ping An of China Securities or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of Ping An of China Securities and may be discontinued at any time. Any such stabilising activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Public Offer. The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, namely, 18,750,000 Shares, which is 15.0% of the number of Offer Shares initially available under the Share Offer.

Stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules includes: (i) over-allocation for the purpose of preventing or minimising any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Shares should note that:

- Ping An of China Securities, or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time period for which Ping An of China Securities, or any person acting for it, will maintain such a position;
- liquidation of any such long position by Ping An of China Securities may have an adverse impact on the market price of the Shares;
- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on the last business day immediately before the 30th day after the last date for lodging applications under the Public Offer. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

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## **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

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Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilising) Rules (Chapter 571W of the Laws of Hong Kong) will be made within seven days of the expiration of the stabilising period. Such stabilisation action, if commenced, may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws, rules and regulatory requirements, including the Securities and Futures (Price Stabilising) Rules, as amended, made under the SFO.

All stabilising actions will be taken in accordance with the laws, rules and regulation in place in Hong Kong on stabilisation.

### **STOCK BORROWING AGREEMENT**

Ping An of China Securities, as stabilising manager, or any person acting for it may choose to borrow 18,750,000 Shares from YH Assets, under the Stock Borrowing Agreement, or acquire Shares from other sources, including the exercising of the Over-allotment Option. 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 out in Rule 10.07(3) of the Listing Rules are to be complied with as follows:

- such stock borrowing arrangement with YH Assets will only be effected by the stabilising manager for settlement of over-allocations in the Placing and covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares borrowed from YH Assets under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be issued upon the exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to YH Assets 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 YH Assets 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



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## **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

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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.

### **DEALING ARRANGEMENTS**

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 18 December 2015, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 18 December 2015. The Shares will be traded in board lots of 4,000 Shares. The stock code of the Shares will be 1662.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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### 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** and/or **PINK** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form service** at [www.hkeipo.hk](http://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.

In addition, if you are an Eligible Employee, you may also apply for Employee Reserved Shares by using a **PINK** Application Form.

Our Company, the Sole Global Coordinator, the **HK eIPO White Form Service Provider** and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY

You can apply for 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); and
- are not a legal or natural person of the PRC.

You can also apply for Employee Reserved Shares by using a **PINK** Application Form if you satisfy the above criteria and you are also an Eligible Employee.

If you apply online through the **HK eIPO White Form service**, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the 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;
- a connected person or a core connected person (as defined in the Listing Rules) of our Company or will become a connected person or a core connected person of our Company immediately upon completion of the Share Offer;
- an associate or a close associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for any Placing Shares or otherwise participated 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](http://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.

If you are an Eligible Employee, and want the Public Offer Shares to be issued in your own name and want your application be given preferential treatment, use a **PINK** Application Form.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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### Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 8 December 2015 to 12:00 noon on Friday, 11 December 2015 from:

- (i) the following addresses of the Public Offer Underwriters:

<b>Ping An of China Securities</b>	28/F, 169 Electric Road, North Point, Hong Kong
<b>China Investment Securities International Brokerage Limited</b>	63/F Bank of China Tower, 1 Garden Road, Central, Hong Kong
<b>Aristo Securities Limited</b>	21/F., Henry Centre, 131 Wo Yip Hop Road, Kwai Chung, New Territories, Hong Kong
<b>Sinolink Securities (Hong Kong) Company Limited</b>	Units 2505–06, 25/F., Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong

- (ii) any of the branches of DBS Bank (Hong Kong) Limited:

<b>District</b>	<b>Branch</b>	<b>Address</b>
Hong Kong Island	Head Office	G/F, The Center, 99 Queen's Road Central
	Hennessy Road Branch	G/F, 427–429 Hennessy Road, Causeway Bay
Kowloon	Yaumatei Branch	G/F & 1/F, 131–137 Woo Sung Street, Yau Ma Tei
	Hoi Yuen Road Branch	Unit 2, G/F, Hewlett Centre, 54 Hoi Yuen Road, Kwun Tong
New Territories	Tsuen Wan Branch	G/F, 23 Chung On Street, Tsuen Wan

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 8 December 2015 until 12:00 noon on Friday, 11 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.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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Eligible Employees can collect a **PINK** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 8 December 2015 until 12:00 noon on Thursday, 10 December 2015 from our Company's office at Unit 1104-06, Nan Fung Commercial Centre, 19 Lam Lok Street, Kowloon Bay, Hong Kong. Electronic copies of the **PINK** Application Form and the prospectus can be viewed from the website of the Company at [www.yee-hop.com.hk](http://www.yee-hop.com.hk).

### 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 – Yee Hop Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Tuesday, 8 December 2015 – 9:00 a.m. to 5:00 p.m.
- Wednesday, 9 December 2015 – 9:00 a.m. to 5:00 p.m.
- Thursday, 10 December 2015 – 9:00 a.m. to 5:00 p.m.
- Friday, 11 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 Friday, 11 December 2015, the last application day or such later time as described in "10. Effect of Bad Weather on the Opening of the Applications Lists" in this section.

Your completed **PINK** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Ting Hong Nominees Limited – Yee Hop Public Offer" for the payment must be deposited in the collection box located at our Company's office at Unit 1104-06, Nan Fung Commercial Centre, 19 Lam Lok Street, Kowloon Bay, Hong Kong by 12:00 noon on Thursday, 10 December 2015.

#### 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 service**, 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 Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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- (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, advisors and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) **undertake and confirm** that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (viii) **agree** to disclose to our Company, our Hong Kong Share Registrar, the receiving bank, the Sole Global Coordinator, the Underwriters and/or their respective advisors 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 advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) **agree** that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) **agree** that your application will be governed by the laws of Hong Kong;
- (xii) **represent, warrant and undertake** that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) **warrant** that the information you have provided is true and accurate;
- (xiv) **agree** to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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- (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, other than on a **PINK** Application Form as an Eligible Employee;
- (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;
- (xviii) (if the application is made for your own benefit) **warrant** that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person, other than on a **PINK** Application Form as an Eligible Employee; 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, other than on a **PINK** Application Form as an Eligible Employee.

### **Additional Instructions for YELLOW Application Form**

You may see the **YELLOW** Application Form for details.

## **5. APPLYING THROUGH HK EIPO WHITE FORM SERVICE**

### **General**

Individuals who meet the criteria in "Who can apply" section, may apply through the **HK eIPO White Form service** for the Offer Shares to be allotted and registered in their own names through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

Detailed instructions for application through the **HK eIPO White Form service** are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form service**.

### **Time for Submitting Applications under the HK eIPO White Form**

You may submit your application to the **HK eIPO White Form** Service Provider at [www.hkeipo.hk](http://www.hkeipo.hk) (24 hours daily, except on the last application day) from Tuesday, 8 December 2015 until Friday, 11 December 2015 and the latest time for completing full payment of application monies in respect of such applications will be at 12:00 noon on Friday, 11 December 2015 or such later time under the “10. Effects of Bad Weather on the Opening of the Applications Lists” in this section.

### **No Multiple Applications**

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form service** to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form service** or by any other means, all of your applications are liable to be rejected.

### **Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

## **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 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).



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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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HKSCC can also input **electronic application instructions** for you if you go to:

**Hong Kong Securities Clearing Company Limited**  
**Customer Service Center**  
1/F, One & Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Sole Global Coordinator and our Public Offer 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;

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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- (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, the 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;
- **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 Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- **agree** to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving bank, the Sole Global Coordinator, the Underwriters and/or their respective advisors 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

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- **agree** that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- **agree** to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;
- **agree** with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance 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.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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### 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 4,000 Public Offer Shares. Instructions for more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

### Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Tuesday, 8 December – 9:00 a.m. to 8:30 p.m.<sup>(1)</sup>
- Wednesday, 9 December – 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>
- Thursday, 10 December – 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>
- Friday, 11 December – 8:00 a.m.<sup>(1)</sup> to 12:00 noon

*Note:*

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 8 December 2015 until 12:00 noon on Friday, 11 December 2015 (24 hours daily, except the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 11 December 2015, the last application day or such later time as described in “10. 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.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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### Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

### Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank, the Sole Global Coordinator, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

### 7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **HK eIPO White Form service** is also only a facility provided by the **HK eIPO White Form Service Provider** to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Sole Global Coordinator and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form service** will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon, Friday, 11 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.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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In addition, if you are an Eligible Employee you may also make an application for Employee Reserved Shares by using a **PINK** Application Form. Only one application for Employee Reserved Shares is permitted per Eligible Employee under the Employee Preferential Offering. Multiple applications by any Eligible Employee via **PINK** Application Form are liable to be rejected.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“**Unlisted company**” means a company with no equity securities listed on the Stock Exchange.

“**Statutory control**” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

### 9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares. The **PINK** Application Form has a table showing the exact amount payable for multiples of Shares applied for up to 1,248,000 Employee Reserved 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** and/or **PINK** or **YELLOW** Application Form or through the **HK eIPO White Form service** in respect of a minimum of 4,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 4,000 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](http://www.hkeipo.hk).

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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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 — Pricing and allocation”.

### 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 Friday, 11 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 Friday, 11 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”, an announcement will be made in such event.

### 11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indications of interest in the Placing, the level of applications in the Public Offer and Employee Preferential Offering and the basis of allocation of the Public Offer Shares and Employee Reserved Shares on Thursday, 17 December 2015, to be published (a) in The Standard (in English) and Sing Tao Daily (in Chinese); (b) on our Company’s website at [www.yee-hop.com.hk](http://www.yee-hop.com.hk) and the website of the Stock Exchange at [www.hkexnews.hk](http://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 dates and times and in the manner specified below:

- in the announcement to be posted on our Company’s website at [www.yee-hop.com.hk](http://www.yee-hop.com.hk) and the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 9:00 a.m., Thursday, 17 December 2015;
- from the designated results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with a “search by ID” function on a 24-hour basis from 8:00 a.m., Thursday, 17 December to 12:00 midnight, on Wednesday, 23 December 2015;
- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 17 December to Tuesday, 22 December 2015 on a Business Day;

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 17 December to Monday, 21 December 2015 at all the receiving bank branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the 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.

### **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 to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

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.



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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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**(ii) If our Company or its agents exercise their discretion to reject your application:**

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

**(iii) If the allotment of Public Offer Shares is void:**

The allotment of Public Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

**(iv) If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations;
- your application is for more than 5,624,000 Public Offer Shares; or
- you are an Eligible Employee, your application is for more than 1,248,000 Employee Reserved Shares.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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### 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\$1.03 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with the section headed “Structure and Conditions of the Share Offer — Conditions of the Share Offer” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, 17 December 2015.

### 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 Offering (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**, **YELLOW** or **PINK** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the 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).

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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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 Thursday, 17 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's order(s).

Share certificates will only become valid at 8:00 a.m., Friday, 18 December 2015 provided that the Share Offer has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

### **Personal Collection**

#### **(i) If you apply using a WHITE and/or PINK Application Form**

If you are an Eligible Employee and you apply for 100,000 Employee Reserved Shares or more under the Employee Preferential Offering or you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the 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 Thursday, 17 December 2015 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you are an Eligible Employee and you apply for less than 100,000 Employee Reserved Shares under the Employee Preferential Offering or you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Thursday, 17 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 Thursday, 17 December 2015, by ordinary post and at your own risk.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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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 Thursday, 17 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 Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 17 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.

### **(iii) If you apply through the HK eIPO White Form service**

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from 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 Thursday, 17 December 2015, or such other date as notified by our Company 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 Thursday, 17 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.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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### (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 Thursday, 17 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 "Publication of Results" above on Thursday, 17 December 2015. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 17 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 Thursday, 17 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 Thursday, 17 December 2015.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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### 15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountants of the Company, SHINEWING (HK) CPA Limited Certified Public Accountants, Hong Kong. As described in the Appendix V headed "Documents delivered to the Registrar of Companies and available for public inspection in Hong Kong" to this prospectus, a copy of the accountants' report is available for inspection.



SHINEWING (HK) CPA Limited  
43/F., Lee Garden One  
33 Hysan Avenue  
Causeway Bay, Hong Kong

8 December 2015

The Board of Directors  
Yee Hop Holdings Limited  
Ping An of China Capital (Hong Kong) Company Limited

Dear Sirs,

## INTRODUCTION

We set out below our report on the financial information (the "**Financial Information**") regarding Yee Hop Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") for each of the three years ended 31 March 2015 and four months ended 31 July 2015 (the "**Track Record Period**") for inclusion in the prospectus of the Company dated 8 December 2015 (the "**Prospectus**") in connection with the initial listing of shares of the Company ("**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 12 February 2015. Pursuant to a group reorganisation (the "**Reorganisation**") as detailed in the section headed "History, Reorganisation and Corporate Structure" to the Prospectus, the Company became the holding company of the Group on 14 August 2015. The Company is principally engaged in the construction industry in Hong Kong focusing on the provision of foundation and other civil works and tunneling works.

As of the end of the respective reporting period and the date of this report, the Company has the following subsidiaries, all of which are private companies, particulars of which are set out below:

Name of Company	Place and date of incorporation/operation	Issued and fully paid share capital at the date of this report	Percentage of equity interest attributable to the Group as at				Principal activities	
			31 March 2013	31 March 2014	31 March 2015	31 July 2015		At the date of this report
Yee Hop Engineering Company Limited ("Yee Hop Engineering")	Hong Kong 10 January 1989	Ordinary shares – 2013 & 2014: HK\$12,600,000; 2015: HK\$14,800,001	100%	100%	100%	100%	100%	Engineering and construction
Yee Hop Construction Company Limited ("Yee Hop Construction")	Hong Kong 11 March 1998	Ordinary shares – HK\$1,000	100%	100%	100%	100%	100%	Construction contracting
Y.H. Foundations Limited ("Y.H. Foundations")	Hong Kong 31 July 2012	Ordinary shares – HK\$1,000	65%	76.7%	88.4%	100%	100%	Engineering and construction

Name of Company	Place and date of incorporation/operation	Issued and fully paid share capital at the date of this report	Percentage of equity interest attributable to the Group as at				Principal activities	
			31 March 2013	31 March 2014	31 March 2015	31 July 2015		At the date of this report
YH Investments Limited ("YH Investments")	British Virgin Islands 12 February 2015	Ordinary shares – USD1,000	–	–	100%	100%	100%	Investment holding
YH Engineering Holdings Limited ("YHE")	British Virgin Islands 16 February 2015	Ordinary shares – USD1,000	–	–	100%	100%	100%	Investment holding
YH Construction Holdings Limited ("YHC")	British Virgin Islands 16 February 2015	Ordinary shares – USD1,000	–	–	100%	100%	100%	Investment holding
YH Foundations Holdings Limited ("YHF")	British Virgin Islands 19 February 2015	Ordinary shares – USD1,000	–	–	100%	100%	100%	Investment holding

All companies now comprising the Group have adopted 31 March as the financial year end date.

The statutory financial statements of Yee Hop Engineering and Yee Hop Construction were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and were audited by Yiu Cho Yan, Certified Public Accountants, for the year ended 31 March 2013 and by SHINEWING (HK) CPA Limited ("SHINEWING (HK) CPA") for the year ended 31 March 2014 and year ended 31 March 2015, both are Certified Public Accountants registered in Hong Kong.

The statutory financial statements of Y.H. Foundations for the period from 31 July 2012 (date of incorporation) to 31 March 2013, year ended 31 March 2014 and year ended 31 March 2015 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by SHINEWING (HK) CPA.

No audited statutory financial statements have been prepared for the Company and other subsidiaries since their respective dates of incorporation as they were incorporated in jurisdictions where there is no statutory audit requirement. They have not carried on any business other than investment holding. However, for the purpose of this report, we have reviewed all significant transactions of these companies since their respective dates of incorporation to 31 July 2015 and carried out such procedures as we considered necessary for inclusion of the financial information relating to these companies in the Financial Information.



**BASIS FOR PREPARATION**

For the purpose of this report, the directors of the Company have prepared the combined financial statements of the Group for the Track Record Period in accordance with HKFRSs issued by the HKICPA (the “**Underlying Financial Statements**”). We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information of the Group for the Track Record Period as set out in this report has been prepared by the directors of the Company from the Underlying Financial Statements on the basis set out in note 1 of Section A of the Financial Information. No adjustments are considered necessary by us to adjust the Underlying Financial Statements in the preparation of this report for inclusion in the Prospectus.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS**

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA and the applicable disclosure provisions of 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.

Our responsibility is to form an independent opinion on the Financial Information based on our procedures and to report our opinion thereon to you.

**BASIS OF OPINION**

We have examined the Underlying Financial Statements and carried out such additional audit procedures which we consider necessary in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA. We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 31 July 2015.

**OPINION**

In our opinion, on the basis of preparation set out in note 1 of section A of the Financial Information, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company as at 31 March 2015 and 31 July 2015 and of the Group as at 31 March 2013, 2014, 2015 and 31 July 2015, and of the combined results and combined cash flows for the Group for the Track Record Period.

**CORRESPONDING FINANCIAL INFORMATION**

For the purpose of this report, we have also reviewed the unaudited financial information of the Group comprising the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for the four months ended 31 July 2014 together with notes thereto (the “**July 2014 Financial Information**”), for which the directors of the Company are responsible, in accordance with Hong Kong Standard on Review Engagement 2410 “Review of Interim

Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. Our responsibility is to express a conclusion on the July 2014 Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the July 2014 Financial Information.

Based on our review, nothing has come to our attention that causes us to believe that the July 2014 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information with conform with HKFRSs.

## A. FINANCIAL INFORMATION

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME

	Notes	Year ended 31 March			Four months ended 31 July	
		2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000
Revenue	7	320,991	404,371	577,333	185,234	251,079
Cost of services		<u>(260,390)</u>	<u>(332,920)</u>	<u>(415,259)</u>	<u>(123,852)</u>	<u>(182,420)</u>
Gross profit		60,601	71,451	162,074	61,382	68,659
Other income	8	5,648	3,566	6,594	3,020	1,022
Administrative expenses		<u>(38,169)</u>	<u>(44,071)</u>	<u>(60,700)</u>	<u>(14,433)</u>	<u>(18,806)</u>
Finance costs	9	<u>(1,515)</u>	<u>(2,042)</u>	<u>(1,767)</u>	<u>(510)</u>	<u>(473)</u>
Profit before taxation		26,565	28,904	106,201	49,459	50,402
Taxation	10	<u>(4,405)</u>	<u>(4,723)</u>	<u>(19,555)</u>	<u>(8,734)</u>	<u>(8,590)</u>
Profit and total comprehensive income for the year/period	11	<u>22,160</u>	<u>24,181</u>	<u>86,646</u>	<u>40,725</u>	<u>41,812</u>
Profit (loss) and total comprehensive income (expense) attributable to:						
Owners of the Company		21,504	24,332	86,001	41,211	41,840
Non-controlling interests		<u>656</u>	<u>(151)</u>	<u>645</u>	<u>(486)</u>	<u>(28)</u>
		<u>22,160</u>	<u>24,181</u>	<u>86,646</u>	<u>40,725</u>	<u>41,812</u>
Earnings per share Basic and diluted	15	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

## COMBINED STATEMENTS OF FINANCIAL POSITION

	Notes	The Group			The Company*		
		At 31 March			At 31	At 31	At 31
		2013	2014	2015	July	March	July
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Non-current assets							
Property, plant and equipment	16	60,946	85,542	81,460	78,253	-	-
Debentures	17	1,460	1,460	1,460	1,460	-	-
		<u>62,406</u>	<u>87,002</u>	<u>82,920</u>	<u>79,713</u>	<u>-</u>	<u>-</u>
Current assets							
Trade and retention receivables	18	80,988	136,792	121,259	191,155	-	-
Amounts due from customers for contract work	19	6,729	6,360	5,542	5,542	-	-
Deposits, prepayments and other receivables	20	5,978	6,203	9,008	13,089	-	-
Amount due from a director	21	288	288	-	-	-	-
Amounts due from shareholders	22	100	800	-	-	-	-
Pledged bank deposits	23	2,013	2,019	4,026	4,028	-	-
Bank balances and cash	23	7,579	50,693	126,375	70,511	-	-
		<u>103,675</u>	<u>203,155</u>	<u>266,210</u>	<u>284,325</u>	<u>-</u>	<u>-</u>
Current liabilities							
Trade and retention payables	24	16,736	37,180	36,842	44,380	-	-
Amounts due to customers for contract work	19	-	86,536	96,990	81,987	-	-
Accruals and other payables	25	6,335	10,997	19,511	16,896	-	-
Bank borrowings	26	18,879	2,300	683	247	-	-
Obligations under finance leases – due within one year	27	14,989	19,708	15,964	16,044	-	-
Tax payable		2,499	1,422	13,627	22,770	-	-
Secured bank overdrafts	26	3,361	412	-	-	-	-
		<u>62,799</u>	<u>158,555</u>	<u>183,617</u>	<u>182,324</u>	<u>-</u>	<u>-</u>
Net current assets		<u>40,876</u>	<u>44,600</u>	<u>82,593</u>	<u>102,001</u>	<u>-</u>	<u>-</u>
Total assets less current liabilities		<u>103,282</u>	<u>131,602</u>	<u>165,513</u>	<u>181,714</u>	<u>-</u>	<u>-</u>

	Notes	The Group			The Company*		
		At 31 March			At 31	At 31	At 31
		2013	2014	2015	July	March	July
		HK\$'000	HK\$'000	HK\$'000	2015	2015	2015
Non-current liabilities							
Obligations under finance							
leases – due after one year	27	17,964	23,934	18,396	18,530	–	–
Amounts due to shareholders	28	13,450	11,698	–	–	–	–
Long service payment							
obligations	29	984	786	544	544	–	–
Deferred tax liabilities	30	4,266	4,385	6,928	6,375	–	–
		<u>36,664</u>	<u>40,803</u>	<u>25,868</u>	<u>25,449</u>	<u>–</u>	<u>–</u>
Net assets		<u>66,618</u>	<u>90,799</u>	<u>139,645</u>	<u>156,265</u>	<u>–</u>	<u>–</u>
Capital and reserves							
Share capital	31	12,602	12,602	14,800	14,808	–	–
Reserves		<u>53,360</u>	<u>77,911</u>	<u>124,001</u>	<u>141,457</u>	<u>–</u>	<u>–</u>
Equity attributable to owners of the Company		65,962	90,513	138,801	156,265	–	–
Non-controlling interests		<u>656</u>	<u>286</u>	<u>844</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total equity		<u>66,618</u>	<u>90,799</u>	<u>139,645</u>	<u>156,265</u>	<u>–</u>	<u>–</u>

\* The Company has not conducted any transactions since its incorporation. The balances are share capital and cash balance shown in the statement of financial position as zero due to rounding less than HK\$1,000.

## COMBINED STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Other reserve <i>HK\$'000</i> <i>(Note)</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2012	12,601	–	31,856	44,457	–	44,457
Profit and total comprehensive income for the year	–	–	21,504	21,504	656	22,160
Issuance of share upon incorporation of Y.H. Foundations <i>(note 31)</i>	<u>1</u>	<u>–</u>	<u>–</u>	<u>1</u>	<u>–</u>	<u>1</u>
At 31 March 2013 and 1 April 2013	12,602	–	53,360	65,962	656	66,618
Profit (loss) and total comprehensive income (expense) for the year	–	–	24,332	24,332	(151)	24,181
Acquisition of equity interest in a subsidiary from non-controlling interests <i>(note 38)</i>	<u>–</u>	<u>219</u>	<u>–</u>	<u>219</u>	<u>(219)</u>	<u>–</u>
At 31 March 2014 and 1 April 2014	12,602	219	77,692	90,513	286	90,799
Issue of share capital <i>(note 31)</i>	2,200	–	–	2,200	–	2,200
Dividend recognised as distribution <i>(note 14)</i>	–	–	(40,000)	(40,000)	–	(40,000)
Profit and total comprehensive income for the year	–	–	86,001	86,001	645	86,646
Further acquisition of equity interest in a subsidiary from non-controlling interests <i>(note 38)</i>	–	87	–	87	(87)	–
Reorganisation	<u>(2)</u>	<u>2</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
At 31 March 2015	<u>14,800</u>	<u>308</u>	<u>123,693</u>	<u>138,801</u>	<u>844</u>	<u>139,645</u>

	Share capital HK\$'000	Other reserve HK\$'000 (Note)	Retained profits HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
At 1 April 2015	14,800	308	123,693	138,801	844	139,645
Issue of share capital (note 31)	8	-	-	8	-	8
Dividend recognised as distribution (note 14)	-	-	(25,200)	(25,200)	-	(25,200)
Profit and total comprehensive income for the period	-	-	41,840	41,840	(28)	41,812
Further acquisition of equity interest in a subsidiary from non-controlling interests (note 38)	-	816	-	816	(816)	-
At 31 July 2015	<u>14,808</u>	<u>1,124</u>	<u>140,333</u>	<u>156,265</u>	<u>-</u>	<u>156,265</u>
At 1 April 2014 (audited)	12,602	219	77,692	90,513	286	90,799
Issue of share capital (note 31)	2,200	-	-	2,200	-	2,200
Profit and total comprehensive income for the period	-	-	41,211	41,211	(486)	40,725
At 31 July 2014 (unaudited)	<u>14,802</u>	<u>219</u>	<u>118,903</u>	<u>133,924</u>	<u>(200)</u>	<u>133,724</u>

*Note:* Other reserve represents the carrying value of the additional equity interests of the subsidiary held by the non-controlling shareholders and acquired by Mr. Jim Yin Kwan Jackin and Mr. Chui Mo Ming at considerations of HK\$117, HK\$700,000 and HK\$116 respectively during the year ended 31 March 2014, 2015 and period ended 31 July 2015.

## COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 March			Four months ended	
	2013	2014	2015	31 July	
	HK\$'000	HK\$'000	HK\$'000	2014	2015
				HK\$'000	HK\$'000
				(unaudited)	
<b>OPERATING ACTIVITIES</b>					
Profit before taxation	26,565	28,904	106,201	49,459	50,402
Adjustments for:					
Bank interest income	(6)	(9)	(870)	(94)	(266)
Provision (reversal) for long service payment	520	(46)	(242)	–	–
Finance costs	1,515	2,042	1,767	510	473
Gain on disposal of property, plant and equipment	(1,191)	(99)	(2,093)	(1,682)	(2)
Loss on written off of property, plant and equipment	–	486	549	–	–
Government subsidy	–	–	(1,511)	(253)	(316)
Depreciation of property, plant and equipment	13,227	21,640	27,731	9,057	9,697
Operating cash flows before movements in working capital	40,630	52,918	131,532	56,997	59,988
(Increase) decrease in trade and retention receivables	(9,711)	(55,804)	15,533	20,278	(69,896)
(Increase) decrease in amounts due from customers for contract work	(6,729)	369	818	818	–
Decrease (increase) in deposits, prepayments and other receivables	712	(225)	(2,805)	3,740	(4,081)
(Decrease) increase in trade and retention payables	(1,527)	20,444	(338)	(7,108)	7,538
(Decrease) increase in accruals and other payables	(962)	4,662	8,514	(7,937)	(2,615)
Increase (decrease) in amounts due to customers for contract work	–	86,536	10,454	21,053	(15,003)
Employees retirement benefits paid	(1)	(152)	–	–	–
Cash generated from (used in) operations	22,412	108,748	163,708	87,841	(24,069)
Hong Kong Profits Tax paid	(828)	(5,681)	(4,807)	–	–
<b>NET CASH FROM (USED IN) OPERATING ACTIVITIES</b>	<b>21,584</b>	<b>103,067</b>	<b>158,901</b>	<b>87,841</b>	<b>(24,069)</b>



	Year ended 31 March			Four months ended	
	2013	2014	2015	31 July	
	HK\$'000	HK\$'000	HK\$'000	2014	2015
				HK\$'000	HK\$'000
				(unaudited)	
<b>INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment	(7,259)	(19,105)	(12,413)	(10,028)	(2,378)
Proceeds from disposal of property, plant and equipment	2,699	245	3,135	1,950	2
Interest received	6	9	870	94	266
Advance to shareholders	(100)	(700)	-	-	-
Repayment from shareholders	-	-	800	100	-
Repayment from a director	-	-	288	-	-
Government subsidy	-	-	1,511	253	316
Placement of pledged bank deposits	(8)	(6)	(2,007)	(2)	(2)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(4,662)</b>	<b>(19,557)</b>	<b>(7,816)</b>	<b>(7,633)</b>	<b>(1,796)</b>
<b>FINANCING ACTIVITIES</b>					
Repayment of bank borrowings	(3,060)	(26,854)	(1,617)	(537)	(436)
New bank borrowings raised	17,893	10,275	-	-	-
Interest paid	(1,515)	(2,042)	(1,767)	(510)	(473)
Repayment of obligations under finance lease	(17,546)	(17,074)	(22,109)	(5,464)	(6,853)
Dividend paid	-	-	(40,000)	-	(25,200)
Repayment to shareholders	(4,647)	(1,752)	(11,698)	(11,166)	-
Proceeds from issue of shares	1	-	2,200	2,200	8
Proceed from finance leaseback arrangement	-	-	-	-	2,955
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(8,874)</b>	<b>(37,447)</b>	<b>(74,991)</b>	<b>(15,477)</b>	<b>(29,999)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>8,048</b>	<b>46,063</b>	<b>76,094</b>	<b>64,731</b>	<b>(55,864)</b>
<b>CASH AND CASH EQUIVALENTS</b>					
<b>AT THE BEGINNING OF THE YEAR/PERIOD</b>	<b>(3,830)</b>	<b>4,218</b>	<b>50,281</b>	<b>50,281</b>	<b>126,375</b>
<b>CASH AND CASH EQUIVALENTS</b>					
<b>AT THE END OF THE YEAR/PERIOD</b>	<b>4,218</b>	<b>50,281</b>	<b>126,375</b>	<b>115,012</b>	<b>70,511</b>
<b>COMPONENTS OF CASH AND CASH EQUIVALENTS</b>					
<b>CASH EQUIVALENTS</b>					
Bank balances and cash	7,579	50,693	126,375	115,012	70,511
Secured bank overdrafts	(3,361)	(412)	-	-	-
	<b>4,218</b>	<b>50,281</b>	<b>126,375</b>	<b>115,012</b>	<b>70,511</b>

**NOTES TO THE FINANCIAL INFORMATION****1. GENERAL INFORMATION AND BASIS OF PREPARATION**

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 12 February 2015. Its ultimate holding company and immediate holding company is Yee Hop Assets Limited, incorporated in the British Virgin Islands. The address of the registered office of the Company is PO Box 1350 Clifton House, 75 Fort Street, George Town, Cayman Islands, and its principal place of business is located at Unit 1104-06, Nan Fung Commercial Centre, 19 Lam Lok Street, Kowloon Bay, Hong Kong. The Company is an investment holding company while the principal subsidiaries are principally engaged in the provision of foundation and other civil works and tunneling works.

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 14 August 2015. The Group has been under the control and beneficially owned by Mr. Jim Yin Kwan Jackin and Mr. Chui Mo Ming (the “**Controlling Shareholders**”) throughout the Track Record Period or since their respective dates of incorporation or establishment up to 31 July 2015. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the Financial Information of the Group has been prepared on the basis as if the Company had always been the holding company of the companies now comprising the Group throughout the Track Record Period, using the principles of merger accounting as set out in note 3 below.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows include the results and cash flows of the companies now comprising the Group have been prepared as if the current group structure had been in existence throughout the Track Record Period or since their respective date of incorporation up to 31 July 2015 whichever is the shorter period. The combined statements of financial position of the Group as at 31 March 2013, 2014, 2015 and 31 July 2015 have been prepared to present the assets and liabilities of the companies comprising the Group as if the current group structure had been in existence as at those dates.

The Financial Information is presented in Hong Kong dollars (“**HK\$**”), which is the same as the functional currency of the Company and its subsidiaries.

**2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)**

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has consistently adopted all the new and revised HKFRSs, Hong Kong Accounting Standards (“**HKASs**”), amendments and interpretations (“**Ints**”) (hereinafter collectively referred to as “**new and revised HKFRSs**”) issued by the HKICPA which are effective for the Group’s financial year beginning on 1 April 2014 and throughout the Track Record Period.

**Part 9 of Hong Kong Companies Ordinance (Cap. 622)**

In addition, the annual report requirements of Part 9 “Accounts and Audit” of the Hong Kong Companies Ordinance (Cap. 622) come into operation for the Group’s financial year beginning on 1 April 2014 and throughout the Track Record Period.

**New and revised HKFRSs issued but not yet effective**

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9 (2014)	Financial Instruments <sup>3</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>3</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle <sup>1</sup>
Amendment to HKAS 1	Disclosure Initiative <sup>1</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptance Methods of Depreciation and Amortisation <sup>1</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>1</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>1</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture <sup>1</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016.

<sup>2</sup> Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2018.

The directors of the Company do not anticipate that the application of other new and revised HKFRSs except as described below, will have a significant impact on the Group's combined financial statements.

**HKFRS 9 (2014) Financial Instruments**

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows:

- It requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be required subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.
- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company anticipate that the application of HKFRS 9 (2014) in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 (2014) until the Group undertakes a detailed review.

#### **HKFRS 15 Revenue from Contracts with Customers**

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

- i) Identify the contract with the customer;
- ii) Identify the performance obligations in the contract;
- iii) Determine the transaction price;
- iv) Allocate the transaction price to the performance obligations; and
- v) Recognise revenue when (or as) the entity satisfies a performance obligation

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted. The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's combined financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

#### **Annual Improvement to HKFRSs 2012–2014 Cycle**

The Annual Improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 clarify that changing from one of the disposal methods (i.e. disposal through sale or disposal through distribution to owners) to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in HKFRS 5. Besides, the amendments also clarify that changing the disposal method does not change the date of classification.

The amendments to HKFRS 7 clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in HKFRS 7 in order to assess whether the additional disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety are required. Besides, the amendments to HKFRS 7 also clarify that disclosures in relation to offsetting financial assets and financial liabilities are not required in the condensed interim financial report, unless the disclosures provide a significant update to the information reported in the most recent annual report.

The amendments to HKAS 19 clarify that the market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

HKAS 34 requires entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'. The amendments to HKAS 34 clarify that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2012–2014 Cycle will have a material effect on the Group's combined financial statements.

#### **Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation**

The amendments to HKAS 16 prohibit the use of revenue-based depreciation methods for property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that use of revenue based amortisation methods for an intangible asset is appropriate. This presumption can only be rebutted in the following two limited circumstances:

- i) when the intangible asset is expressed as a measure of revenue; or
- ii) when a high correlation between revenue and the consumption of the economic benefits of the intangible asset are highly demonstrated.

The amendments to HKAS 16 and HKAS 38 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied prospectively. As the Group use straight-line method for depreciation of property, plant and equipment, the directors of the Company do not anticipate that the application of the amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's combined financial statements.

#### **Amendments to HKAS 1 Disclosure Initiative**

The amendments clarify that companies should use professional judgement in determining what information as well as where and in what order information is presented in the financial statements. Specifically, an entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity does not require to provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material. This is the case even if the HKFRS contain a list of specific requirements or describe them as minimum requirements.

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity's financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

Furthermore, the amendments clarify that:

- i) an entity should consider the effect on the understandability and comparability of its financial statements when determining the order of the notes; and
- ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

The amendments will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The directors of the Company anticipate that the application of Amendments to HKAS 1 in the future may have a material impact on the disclosures made in the Group's combined financial statements.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA on historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these Financial Information are determined on such a basis, except for share-based payments transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the assets or liability.

The principal accounting policies are set out below.

#### **Basis of combination**

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries). Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of subsidiaries acquired or disposed of during the year are included in the combined statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

#### **Merger accounting for business combination involving entities under common control**

The Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the Controlling Shareholders.

The net assets of the combining entities or businesses are consolidated using the existing book values from the Controlling Shareholders' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the Controlling Shareholders' interest.

The combined statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

#### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable for services provided in the normal course of business and net of discounts and sales related taxes.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income from financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Revenue recognition for construction contracts in relation to building construction, upgrade services of the infrastructure and foundation works included in the segment of alteration, renovation, upgrading and fitting out works is set out in the section headed "Construction contracts" below.

Rental income from operating lease is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Service income is recognised when services are provided.

### **Construction contracts**

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the combined statement of financial position as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the combined statement of financial position under trade and other receivables.

### **Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### ***The Group as lessor***

Amounts due from lessees under finance leases are recognised 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.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

#### ***The Group as lessee***

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the combined statements of financial position as a finance lease obligation.



Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### ***Leasehold land and building***

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating lease in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as prepaid lease payments in the combined statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

#### **Borrowing costs**

Borrowing costs directly attributable to the acquisition or construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### **Retirement benefits cost and termination benefits**

Payments to the Mandatory Provident Fund Scheme (“**MPF Scheme**”) are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of the reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and return on plan assets (excluding interest), is reflected immediately in the combined statement of financial position with a charge or credit recognised in other comprehensive income in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Components of defined benefit costs are service cost in profit or loss; net interest on the net defined benefit liability or asset in profit or loss; and remeasurements of net defined benefit liability or asset in other comprehensive income.

The retirement benefit obligation recognised in the combined statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

#### **Short-term and other long-term employee benefits**

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

#### **Government grants**

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the combined statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

#### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the combined statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

#### **Property, plant and equipment**

Property, plant and equipment are stated in the combined statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets over their estimated useful lives, using the straight line method for the property, plant and equipment. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

#### **Cash and cash equivalents**

Bank balances and cash in the combined statements of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the combined statements of cash flows, cash and cash equivalents consist of bank balances and cash as defined above, net of outstanding secured bank overdrafts.

#### **Impairment on tangible assets**

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) 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 (or the CGU) 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 (or the CGU) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

#### **Financial instruments**

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at cost. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the cost of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

#### ***Financial assets***

The Group's financial assets are classified as loans and receivables and available-for-sale financial assets. 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.

#### ***Effective interest method***

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

#### ***Available-for-sales investment***

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. The Group designated the non-interests bearing debenture as available-for-sale financial assets on initial recognition of those items.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of available-for-sale monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and retention receivables, deposits and other receivables, amount due from a director, amounts due from shareholders, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

*Impairment loss on financial assets*

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade and retention receivables and other 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 credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the 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 current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and retention receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade and retention receivables and other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent 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.

#### *Financial liabilities and equity instruments*

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

#### *Other financial liabilities*

Other financial liabilities including trade and other payables, amounts due to shareholders, bank borrowings and overdraft and obligations under finance leases are subsequently measured at amortised cost, using the effective interest method.

#### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

#### *Derecognition*

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when 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 recognises its retained interest in the asset and an associated liability for amounts it may have to pay. 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.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in investments revaluation reserve is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

A financial liability is derecognised when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

***Provisions***

Provisions are 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 that obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions, including those arising from the contractual obligation specified in the service concession arrangement to maintain or restore the infrastructure before it is handed over to the grantor, are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When 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, a 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.

**4. KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**Key sources of estimation uncertainty**

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

***Provision for long service payments***

The cost of the retirement benefits of the Group and the present value of the defined benefit obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, pre-retirement termination, involuntary termination, early retirement, normal retirement, death and disability rate. Due to the complexities involved in the valuation and its long-term nature, a retirement benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at the end of each reporting periods.

The Company makes provision for lump sum payments on cessation of employment in certain circumstances to employees. The payments due are dependent on future events and recent payment experience may not be indicative of future payments. Any increase or decrease in the provision would affect profit or loss in future years.

The carrying amount of the long service payment obligations is approximately HK\$984,000, HK\$786,000, HK\$544,000 and HK\$544,000 as at 31 March 2013, 2014, 2015 and 31 July 2015 respectively. Further details about the long service payment obligations are set out in note 29.

***Fair value of financial guarantee contracts***

The directors of the Company use their judgement in selecting an appropriate valuation technique for the financial guarantee contracts, and assumption included the probability of default by the specified counterparty extrapolated from the market-based credit information.

The carrying amount of the guarantees in respect of performance bonds in favor of the Group's client is approximately HK\$29,134,000, HK\$52,762,000, HK\$51,149,000 and HK\$66,372,000 as at 31 March 2013, 2014, 2015 and 31 July 2015 respectively. Details of the financial guarantee contracts are disclosed in note 33.

*Construction contracts revenue recognition*

The Group recognised contract revenue and profit of a construction contract according to the management's estimation of the total outcome of the project as well as the percentage of completion of construction works. Notwithstanding that the management reviews and revises the estimates of both contract revenue and costs for the construction contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

*Depreciation of property, plant and equipment*

The Group depreciates the property, plant and equipment over their estimated useful life and after taking into account of their estimated residual values, using the straight line method. The estimated useful life reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect the directors' estimated amount that the Group would currently obtain from disposal of the assets, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life. As at 31 March 2013, 2014, 2015 and 31 July 2015, the carrying values of property, plant and equipment are approximately HK\$60,946,000, HK\$85,542,000, HK\$81,460,000 and HK\$78,253,000 respectively.

*Estimated impairment of property, plant and equipment*

The Group assesses annually whether property, plant and equipment have any indication of impairment, in accordance with relevant accounting policies. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations if there is indication of impairment. The calculations and valuations require the use of judgement and estimates on future operating cash flows and discount rates adopted. As at 31 March 2013, 2014, 2015 and 31 July 2015, the directors of the Company considered that there is no impairment indication and the carrying values of property, plant and equipment are approximately HK\$60,946,000, HK\$85,542,000, HK\$81,460,000 and HK\$78,253,000 respectively. There were no impairment losses recognised as at 31 March 2013, 2014, 2015 and 31 July 2015.

*Impairment loss recognised in respect of trade and retention receivables*

The Group performs ongoing credit evaluations of its customers and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon its historical experience and any specific customer collection issues that it has been identified. Credit losses have historically been within the Group's expectations and the Group will continue to monitor the collections from customers and maintain an appropriate level of estimated credit losses. As at 31 March 2013, 2014, 2015 and 31 July 2015, the carrying amounts of trade and retention receivables are approximately HK\$80,988,000, HK\$136,792,000, HK\$121,259,000 and HK\$191,155,000 respectively.

## 5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged for the Track Record Period.

The capital structure of the Group consists of bank borrowings and secured bank overdrafts disclosed in note 26, obligations under finance leases disclosed in note 27, pledged bank deposits and bank balances and cash disclosed in note 23, and equity attributable to the owners of Group, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of the review, the directors of the Company consider the cost of capital and the risks associated with each class of capital, and take appropriate actions to adjust the Group's capital structure. Based on the recommendations of the directors of the Company, the Group will balance its overall capital structure through use of debts, the payment of dividends and issuance of new shares.



## 6. FINANCIAL INSTRUMENTS

## Categories of financial instruments

	At 31 March		At 31 July	
	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Financial assets</b>				
Available-for-sale investments	1,460	1,460	1,460	1,460
Loans and receivables (including pledged bank deposits and bank balances and cash)	95,784	195,283	256,625	274,335
<b>Financial liabilities</b>				
Financial liabilities stated at amortised cost	91,714	106,229	91,396	96,097

## Financial risk management objectives and policies

The Group's major financial assets and liabilities include trade and retention receivables, deposits and other receivables, amount due from a director, amount due from shareholders, pledged bank deposits, bank balances and cash, trade and retention payables, accruals and other payables, amounts due to shareholders, bank borrowings, obligations under finance leases and secured bank overdrafts. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments included credit risk, interest rate risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

**Credit risk**

The Group's maximum exposure to credit risk in the event of the counterparties' failure to discharge their obligations as at 31 March 2013, 2014, 2015 and 31 July 2015 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the combined statements of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivables regularly at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Management considers the credit risk attributable to the amounts due from a director and shareholders to be insignificant as full settlement has been received from the related parties subsequently.

As at 31 March 2013, 2014, 2015 and 31 July 2015, the Group has concentration of credit risk as 60%, 33%, 45% and 45% of the total trade receivables was due from the Group's largest customer while 90%, 80%, 86% and 93% of the total trade receivables was due from the Group's five largest customers respectively.

The Group's concentration of credit risk by geographical locations is in Hong Kong, which accounted for all of the total trade receivables as at 31 March 2013, 2014, 2015 and 31 July 2015 respectively.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

**Interest rate risk**

The Group is exposed to fair value interest rate risk in relation to fixed-rate obligations under finance leases (see note 27 for details). The Company currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

The Group is also exposed to cash flow interest rate risk in relation to pledged bank deposits bank balances, variable-rate bank borrowings and obligations under finance leases (see note 23, 26 and 27). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's Hong Kong dollar denominated borrowings.

#### *Sensitivity analysis*

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the Track Record Period. The analysis is prepared assuming the financial instruments outstanding at the end of the Track Record Period were outstanding for the whole year. A 100 basis point increase or decrease is used for the Track Record Period when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower for the Track Record Period and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2013 would decrease/increase by approximately HK\$314,000 and increase/decrease by approximately HK\$88,000, HK\$853,000 and HK\$377,000 respectively for 31 March 2014, 2015 and four months ended 31 July 2015. This is mainly attributable to the Group's exposure to interest rates on its pledged bank deposits, bank balances, variable-rate bank borrowings and obligation under finance leases.

#### *Liquidity risk*

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, the Group relies on bank borrowings as a significant source of liquidity and the management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

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, borrowings 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 within one year after the reporting date. The maturity analysis for other non-derivative financial liabilities is prepared based on the scheduled 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 rate curve at the end of each reporting period.

<b>Liquidity table</b>	<b>Within 1 year or on demand</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>	<b>Total undiscounted cash flows</b>	<b>Carrying amount</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>At 31 March 2013</b>					
Trade and retention payables	16,736	–	–	16,736	16,736
Accruals and other payables	6,335	–	–	6,335	6,335
Amounts due to shareholders	–	13,450	–	13,450	13,450
Bank borrowings	18,879	–	–	18,879	18,879
Obligations under finance leases	15,866	13,686	4,710	34,262	32,953
Secured bank overdrafts	3,361	–	–	3,361	3,361
Financial guarantee contracts	29,134	–	–	29,134	–
	<u>90,311</u>	<u>27,136</u>	<u>4,710</u>	<u>122,157</u>	<u>91,714</u>

Liquidity table	Within 1 year or on demand HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<b>At 31 March 2014</b>					
Trade and retention payables	37,180	–	–	37,180	37,180
Accruals and other payables	10,997	–	–	10,997	10,997
Amounts due to shareholders	–	11,698	–	11,698	11,698
Bank borrowings	2,300	–	–	2,300	2,300
Obligations under finance leases	21,144	12,168	12,051	45,363	43,642
Secured bank overdrafts	412	–	–	412	412
Financial guarantee contracts	52,762	–	–	52,762	–
	<u>124,795</u>	<u>23,866</u>	<u>12,051</u>	<u>160,712</u>	<u>106,229</u>
<b>At 31 March 2015</b>					
Trade and retention payables	36,842	–	–	36,842	36,842
Accruals and other payables	19,511	–	–	19,511	19,511
Bank borrowings	683	–	–	683	683
Obligations under finance leases	16,731	11,747	7,128	35,606	34,360
Financial guarantee contracts	51,149	–	–	51,149	–
	<u>124,916</u>	<u>11,747</u>	<u>7,128</u>	<u>143,791</u>	<u>91,396</u>
<b>At 31 July 2015</b>					
Trade and retention payables	44,380	–	–	44,380	44,380
Accruals and other payables	16,896	–	–	16,896	16,896
Bank borrowings	247	–	–	247	247
Obligations under finance leases	16,840	12,865	6,130	35,835	34,574
Financial guarantee contracts	66,372	–	–	66,372	–
	<u>144,735</u>	<u>12,865</u>	<u>6,130</u>	<u>163,730</u>	<u>96,097</u>

Bank loans with a repayment on demand clause are included in the “within 1 year or on demand” time band in the above maturity analysis. The aggregate undiscounted principal amounts of these bank loans amounted to approximately HK\$18,879,000, HK\$2,300,000, HK\$683,000 and HK\$247,000 as at 31 March 2013, 2014, 2015 and 31 July 2015 respectively. Taking into account the Group’s financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash flows will amount to approximately HK\$19,190,000, HK\$2,348,000, HK\$689,000 and HK\$248,000 respectively.

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the directors of the Company considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

*Fair value measurement objective and policies*

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors of the Company consider that the carrying amounts of current financial assets, current and non-current financial liabilities recorded at amortised cost in the financial statements approximate to their fair values.

**7. REVENUE AND SEGMENT INFORMATION**

The Group's reportable and operating segments, based on information reported to the chief executive officer, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on types of services provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- Foundation and other civil works; and
- Tunneling works.

	<b>Foundation and other civil works</b>	<b>Tunneling works</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Year ended 31 March 2013</b>			
<b>Segment revenue</b>			
External revenue	215,754	105,237	320,991
Inter-segment revenue	<u>117,135</u>	<u>9,433</u>	<u>126,568</u>
Segment revenue	<u><u>332,889</u></u>	<u><u>114,670</u></u>	447,559
Eliminations			<u>(126,568)</u>
Group revenue			<u>320,991</u>
<b>Segment results</b>	<u><u>39,082</u></u>	<u><u>21,772</u></u>	60,854
Unallocated income			4,702
Unallocated corporate expenses			(38,169)
Unallocated finance cost			<u>(822)</u>
Profit before taxation			<u><u>26,565</u></u>
<b>Year ended 31 March 2014</b>			
<b>Segment revenue</b>			
External revenue	229,102	175,269	404,371
Inter-segment revenue	<u>123,245</u>	<u>67,965</u>	<u>191,210</u>
Segment revenue	<u><u>352,347</u></u>	<u><u>243,234</u></u>	595,581

	<b>Foundation and other civil works</b> <i>HK\$'000</i>	<b>Tunneling works</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Eliminations			(191,210)
Group revenue			404,371
<b>Segment results</b>	<b>44,113</b>	<b>25,776</b>	69,889
Unallocated income			3,566
Unallocated corporate expenses			(43,606)
Unallocated finance cost			(945)
Profit before taxation			<b>28,904</b>
<b>Year ended 31 March 2015</b>			
<b>Segment revenue</b>			
External revenue	298,757	278,576	577,333
Inter-segment revenue	163,528	180,014	343,542
Segment revenue	<b>462,285</b>	<b>458,590</b>	920,875
Eliminations			(343,542)
Group revenue			577,333
<b>Segment results</b>	<b>86,395</b>	<b>74,943</b>	161,338
Unallocated income			6,539
Unallocated corporate expenses			(60,700)
Unallocated finance cost			(976)
Profit before taxation			<b>106,201</b>

	<b>Foundation and other civil works</b>	<b>Tunneling works</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Four months ended 31 July 2014 (unaudited)</b>			
<b>Segment revenue</b>			
External revenue	117,335	67,899	185,234
Inter-segment revenue	<u>73,192</u>	<u>38,621</u>	<u>111,813</u>
Segment revenue	<u><u>190,527</u></u>	<u><u>106,520</u></u>	297,047
Eliminations			<u>(111,813)</u>
Group revenue			<u>185,234</u>
<b>Segment results</b>	<u><u>49,742</u></u>	<u><u>11,291</u></u>	61,033
Unallocated income			3,020
Unallocated corporate expenses			(14,433)
Unallocated finance cost			<u>(161)</u>
Profit before taxation			<u><u>49,459</u></u>
<b>Four months ended 31 July 2015</b>			
<b>Segment revenue</b>			
External revenue	171,819	79,260	251,079
Inter-segment revenue	<u>76,903</u>	<u>66,711</u>	<u>143,614</u>
Segment revenue	<u><u>248,722</u></u>	<u><u>145,971</u></u>	394,693
Eliminations			<u>(143,614)</u>
Group revenue			<u>251,079</u>
<b>Segment results</b>	<u><u>63,235</u></u>	<u><u>5,271</u></u>	68,506
Unallocated income			1,022
Unallocated corporate expenses			(18,806)
Unallocated finance cost			<u>(320)</u>
Profit before taxation			<u><u>50,402</u></u>

Inter-segment sales are conducted with terms mutually agreed by both contract parties.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' salaries, other income and interest on bank overdrafts and borrowings. This is the measure reported to the chief executive officer with respect to the resource allocation and performance assessment.

**Segment assets and liabilities**

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

**Segment assets**

	At 31 March		At 31 July	
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2015 HK\$'000
Foundation and other civil works	80,822	101,416	105,624	168,959
Tunneling works	<u>50,195</u>	<u>94,160</u>	<u>59,942</u>	<u>61,633</u>
Total segment assets	131,017	195,576	165,566	230,592
Corporate and other unallocated assets	<u>35,064</u>	<u>94,581</u>	<u>183,564</u>	<u>133,446</u>
Total assets	<u><u>166,081</u></u>	<u><u>290,157</u></u>	<u><u>349,130</u></u>	<u><u>364,038</u></u>

**Segment liabilities**

	At 31 March		At 31 July	
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2015 HK\$'000
Foundation and other civil works	31,250	58,708	27,568	40,294
Tunneling works	<u>17,612</u>	<u>99,899</u>	<u>108,709</u>	<u>92,472</u>
Total segment liabilities	48,862	158,607	136,277	132,766
Corporate and other unallocated liabilities	<u>50,601</u>	<u>40,751</u>	<u>73,208</u>	<u>75,007</u>
Total liabilities	<u><u>99,463</u></u>	<u><u>199,358</u></u>	<u><u>209,485</u></u>	<u><u>207,773</u></u>

For the purposes of monitoring segment performance and allocating resources between segments.

- All assets are allocated to operating segment, other than unallocated property, plant and equipment, debenture, pledged bank deposits, bank balance and cash, deposits, prepayments and other receivables, amount due from a director and amounts due from shareholders. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and
- All liabilities are allocated to operating segments, other than accrual and other payables, bank borrowings, tax payable and secured bank overdrafts, amounts due to shareholders, long service payment obligations, deferred tax liabilities, unallocated trade payables and unallocated obligations under finance leases. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

## Other segment information

	<b>Foundation and other civil works</b>	<b>Tunneling works</b>	<b>Unallocated</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Year ended 31 March 2013</b>				
<b>Amounts include in the measure of segment profit or segment assets:</b>				
Depreciation	5,352	1,785	6,090	13,227
Additions to non-current assets	23,817	18,083	4,919	46,819
Interest expenses	380	313	822	1,515
Gain on disposal of property, plant and equipment	–	(946)	(245)	(1,191)
	<u>–</u>	<u>(946)</u>	<u>(245)</u>	<u>(1,191)</u>
<b>Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or segment assets:</b>				
Interest income	–	–	(6)	(6)
Income tax expense	–	–	4,405	4,405
	<u>–</u>	<u>–</u>	<u>4,405</u>	<u>4,405</u>
<b>Year ended 31 March 2014</b>				
<b>Amounts include in the measure of segment profit or segment assets:</b>				
Depreciation	11,009	4,249	6,382	21,640
Additions to non-current assets	21,365	950	24,553	46,868
Loss on written off of property, plant and equipment	464	–	22	486
Interest expenses	710	387	945	2,042
Gain on disposal of property, plant and equipment	–	–	(99)	(99)
	<u>–</u>	<u>–</u>	<u>(99)</u>	<u>(99)</u>
<b>Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or segment assets:</b>				
Interest income	–	–	(9)	(9)
Income tax expense	–	–	4,723	4,723
	<u>–</u>	<u>–</u>	<u>4,723</u>	<u>4,723</u>



	<b>Foundation and other civil works</b> <i>HK\$'000</i>	<b>Tunneling works</b> <i>HK\$'000</i>	<b>Unallocated</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Year ended 31 March 2015</b>				
<b>Amounts include in the measure of segment profit or segment assets:</b>				
Depreciation	15,129	7,237	5,365	27,731
Additions to non-current assets	2,543	–	22,697	25,240
Loss on written off of property, plant and equipment	–	–	549	549
Interest expenses	599	192	976	1,767
Gain on disposal of property, plant and equipment	(55)	–	(2,038)	(2,093)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or segment assets:</b>				
Interest income	–	–	(870)	(870)
Income tax expense	–	–	19,555	19,555
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Four months ended 31 July 2014 (unaudited)</b>				
<b>Amounts include in the measure of segment profit or segment assets:</b>				
Depreciation	5,137	2,132	1,788	9,057
Additions to non-current assets	–	–	10,445	10,445
Interest expenses	263	86	161	510
Gain on disposal of property, plant and equipment	–	–	(1,682)	(1,682)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or segment assets:</b>				
Interest income	–	–	(94)	(94)
Income tax expense	–	–	8,734	8,734
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

	<b>Foundation and other civil works</b> <i>HK\$'000</i>	<b>Tunneling works</b> <i>HK\$'000</i>	<b>Unallocated</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Four months ended 31 July 2015</b>				
<b>Amounts include in the measure of segment profit or segment assets:</b>				
Depreciation	6,435	2,459	803	9,697
Additions to non-current assets	–	–	6,490	6,490
Interest expenses	131	22	320	473
Gain on disposal of property, plant and equipment	–	–	(2)	(2)
	<u>–</u>	<u>–</u>	<u>(2)</u>	<u>(2)</u>
<b>Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or segment assets:</b>				
Interest income	–	–	(266)	(266)
Income tax expense	–	–	8,590	8,590
	<u>–</u>	<u>–</u>	<u>8,590</u>	<u>8,590</u>

**Information about major customers**

The Group has identified two, two, three, three and two customers for the year ended 31 March 2013, 2014, 2015 and four months ended 31 July 2014 and 2015 respectively which individually represented over 10% of the Group's total external revenue.

The revenue from the major customers during the Track Record Period and four months ended 31 July 2014 are as follows:

	<b>Year ended 31 March</b>			<b>Four months ended 31 July</b>	
	<b>2013</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
				(unaudited)	
Company A <sup>1</sup>	169,635	210,181	300,435	126,331	139,088
Company B <sup>2</sup>	32,918	N/A <sup>5</sup>	N/A <sup>5</sup>	N/A <sup>5</sup>	N/A <sup>5</sup>
Company C <sup>3</sup>	N/A <sup>5</sup>	71,720	74,129	20,503	N/A <sup>5</sup>
Company D <sup>4</sup>	N/A <sup>5</sup>	N/A <sup>5</sup>	141,866	27,827	52,742

*Notes*

- <sup>1</sup> Revenue from foundation and other civil works segment in 2013 and from both foundation and other civil works and tunneling works segments in 2014 & 2015.
- <sup>2</sup> Revenue from both foundation and other civil works and tunneling works segments.
- <sup>3</sup> Revenue from both foundation and other civil works and tunneling works segments in 2014 and from Tunneling works segment in 2015.
- <sup>4</sup> Revenue from foundation and other civil works segment.
- <sup>5</sup> The corresponding revenue did not contribute over 10% of the total external sales of the Group.

**Geographical information**

The Group is organised into a two operating segments as foundation and other civil works and tunneling works primarily in Hong Kong and all revenue, expenses, results, assets and liabilities and capital expenditures are predominantly attributable to these two segments. Accordingly, no segment analysis by geographical information is presented.

**8. OTHER INCOME**

	Year ended 31 March			Four months ended 31 July	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Bank interest income	6	9	870	94	266
Gain on disposal of property, plant and equipment	1,191	99	2,093	1,682	2
Rental income from property, plant and equipment	3,432	3,337	1,199	360	–
Sales of scrap materials	996	–	–	–	412
Reversal of provision of long service payment	–	46	242	–	–
Government subsidy ( <i>note</i> )	–	–	1,511	253	316
Insurance claim	–	–	421	421	–
Sundry income	23	75	258	210	26
	<u>5,648</u>	<u>3,566</u>	<u>6,594</u>	<u>3,020</u>	<u>1,022</u>

*Note:* The income is government subsidy received under the “Ex-gratia Payment Scheme for Phasing Out Pre-Euro IV Diesel Commercial Vehicles” in 2015 upon disposal of certain motor vehicles.

**9. FINANCE COSTS**

	Year ended 31 March			Four months ended 31 July	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Interest on:					
– bank overdrafts and borrowings wholly repayable within five years	801	911	628	91	116
– obligations under finance leases	714	1,131	1,139	419	357
	<u>1,515</u>	<u>2,042</u>	<u>1,767</u>	<u>510</u>	<u>473</u>

## 10. TAXATION

	Year ended 31 March			Four months ended 31 July	
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
Current year taxation					
Hong Kong Profits Tax	3,161	4,604	16,360	8,577	9,143
Under provision in prior years:					
Hong Kong Profits Tax	–	–	652	652	–
Deferred taxation ( <i>note 30</i> )	<u>1,244</u>	<u>119</u>	<u>2,543</u>	<u>(495)</u>	<u>(553)</u>
	<u>4,405</u>	<u>4,723</u>	<u>19,555</u>	<u>8,734</u>	<u>8,590</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit during the Track Record Period.

During the Track Record Period, the charge to Hong Kong Profits Tax for the year ended 31 March 2015 and the four months ended 31 July 2015 have been relieved by approximately HK\$879,000 and HK\$304,000 respectively as a result of tax losses brought forward from previous years.

Unused tax losses in a subsidiary carried forward amount to approximately HK\$6,122,000, HK\$17,110,000, HK\$11,795,000 and HK\$9,945,000 as at 31 March 2013, 2014, 2015 and 31 July 2015 respectively. Tax losses may be carried forward indefinitely.

The tax charge can be reconciled to the profit before taxation per the combined statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March			Four months ended 31 July	
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
Profit before taxation	<u>26,565</u>	<u>28,904</u>	<u>106,201</u>	<u>49,459</u>	<u>50,402</u>
Tax calculated at the domestic income tax rate of 16.5%	4,383	4,769	17,523	8,161	8,316
Tax effect of income not taxable for tax purposes	(67)	(34)	(253)	(85)	(1)
Tax effect of expenses not deductible for tax purposes	109	8	1,633	6	275
Under provision in prior years	–	–	652	652	–
Effect of tax exemption granted ( <i>note</i> )	<u>(20)</u>	<u>(20)</u>	<u>–</u>	<u>–</u>	<u>–</u>
Income tax expense for the year/period	<u>4,405</u>	<u>4,723</u>	<u>19,555</u>	<u>8,734</u>	<u>8,590</u>

*Note:* Tax exemption represented a reduction of Hong Kong Profits Tax for the years of assessment 2012/2013, and 2013/2014 by 75%, subject to a ceiling of HK\$10,000.

## 11. PROFIT FOR THE YEAR/PERIOD

	Year ended 31 March			Four months ended 31 July	
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
Profit for the year/period has been arrived at after charging:					
Staff costs					
– Salaries and other benefits	86,154	89,888	112,911	31,810	45,427
– Contributions to retirement benefits scheme	4,192	4,150	5,021	1,556	2,009
– Provision for long service payments	520	–	–	–	–
Total staff costs (excluding directors' remuneration (note 12))	90,866	94,038	117,932	33,366	47,436
Auditor's remuneration	108	275	340	100	120
Depreciation of property, plant and equipment	13,227	21,640	27,731	9,057	9,697
Minimum lease payment under operating leases in respect of office premises, site offices, storage area and staff quarter	3,098	3,299	4,118	1,305	1,193
Loss on written off of property, plant and equipment	–	486	549	–	–
Exchange difference	–	–	6	–	97
Listing expenses	–	–	7,609	–	1,451

## 12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the directors and the chief executive officer ("CEO") of the Company were as follows:

## For the year ended 31 March 2013

	Executive directors				Total HK\$'000
	Mr. Jim Yin Kwan Jackin HK\$'000	Mr. Chui Mo Ming HK\$'000	Mr. Leung Hung Kwong Derrick HK\$'000	Mr. Yan Chi Tat HK\$'000	
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking					
Fees	-	-	-	-	-
Other emoluments:					
Salaries and other benefits	900	720	540	940	3,100
Retirement benefit scheme contributions	63	63	40	54	220
Total emoluments	<u>963</u>	<u>783</u>	<u>580</u>	<u>994</u>	<u>3,320</u>

## For the year ended 31 March 2014

	Executive directors				Total HK\$'000
	Mr. Jim Yin Kwan Jackin HK\$'000	Mr. Chui Mo Ming HK\$'000	Mr. Leung Hung Kwong Derrick HK\$'000	Mr. Yan Chi Tat HK\$'000	
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking					
Fees	-	-	-	-	-
Other emoluments:					
Salaries and other benefits	1,200	1,020	1,154	1,010	4,384
Retirement benefit scheme contributions	63	63	49	55	230
Total emoluments	<u>1,263</u>	<u>1,083</u>	<u>1,203</u>	<u>1,065</u>	<u>4,614</u>

## For the year ended 31 March 2015

	Executive directors				Total HK\$'000
	Mr. Jim Yin Kwan Jackin HK\$'000	Mr. Chui Mo Ming HK\$'000	Mr. Leung Hung Kwong Derrick HK\$'000	Mr. Yan Chi Tat HK\$'000	
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking					
Fees	-	-	-	-	-
Other emoluments:					
Salaries and other benefits	1,922	1,549	1,487	1,527	6,485
Retirement benefit scheme contributions	107	91	58	62	318
Total emoluments	<u>2,029</u>	<u>1,640</u>	<u>1,545</u>	<u>1,589</u>	<u>6,803</u>

## For the four months ended 31 July 2014 (unaudited)

	Executive directors				Total HK\$'000
	Mr. Jim Yin Kwan Jackin HK\$'000	Mr. Chui Mo Ming HK\$'000	Mr. Leung Hung Kwong Derrick HK\$'000	Mr. Yan Chi Tat HK\$'000	
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking					
Fees	-	-	-	-	-
Other emoluments:					
Salaries and other benefits	300	240	361	340	1,241
Retirement benefit scheme contributions	22	22	19	20	83
Total emoluments	<u>322</u>	<u>262</u>	<u>380</u>	<u>360</u>	<u>1,324</u>

For the four months ended 31 July 2015

	Executive directors				Total HK\$'000
	Mr. Jim Yin Kwan Jackin HK\$'000	Mr. Chui Mo Ming HK\$'000	Mr. Leung Hung Kwong Derrick HK\$'000	Mr. Yan Chi Tat HK\$'000	
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking					
Fees	–	–	–	–	–
Other emoluments:					
Salaries and other benefits	704	498	370	355	1,927
Retirement benefit scheme contributions	<u>31</u>	<u>25</u>	<u>15</u>	<u>21</u>	<u>92</u>
Total emoluments	<u>735</u>	<u>523</u>	<u>385</u>	<u>376</u>	<u>2,019</u>

The non-interests bearing debenture issued by International Christian School with principal amount of HK\$1,000,000 was purchased for the benefit of Mr. Jim Yin Kwan Jackin's child and would be refunded upon the graduation of the director's child. The investment is measured at cost less impairment throughout the Track Record Period.

Mr. Yan Chi Tat is also the CEO of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

The emolument shown above represents emolument received from the Group by these directors and CEO in their capacity as employees to the Group and/or in their capacity as directors of the companies now comprising the Group during the Track Record Period.

No director and CEO waived or agreed to waive any emoluments during the Track Record Period.

The above individuals were appointed as directors on the following dates:

Executive directors	Date of appointment
Jim Yin Kwan Jackin	12/2/2015
Chui Mo Ming	12/2/2015
Leung Hung Kwong Derrick	12/2/2015
Yan Chi Tat	12/2/2015

No emoluments were paid by the Group to any directors and chief executive of the Company as an inducement to join or upon joining the Group or as compensation for loss of office during the Track Record Period.



**13. INDIVIDUALS WITH HIGHEST EMOLUMENTS**

Of the five individuals with the highest emoluments in the Group, three of them were directors of the Company in year ended 31 March 2013, four of them were directors of the Company in year ended 31 March 2014, 2015 and four months ended 31 July 2014 and 2015, whose emoluments are included in the analysis presented above. Details of remuneration paid to the remaining two individuals of the Group for the year ended 31 March 2013 and one individual of the Group for the years ended 2014 and 2015 respectively were as follows:

	Year ended 31 March			Four months ended 31 July	
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
Salaries, allowances and other benefits	2,270	816	1,135	200	346
Contributions to retirement benefits scheme	56	15	18	6	19
	<u>2,326</u>	<u>831</u>	<u>1,153</u>	<u>206</u>	<u>365</u>

No emoluments were paid by the Group to any five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the Track Record Period and four months ended 31 July 2014.

	Year ended 31 March			Four months ended 31 July	
	2013 <i>No. of employees</i>	2014 <i>No. of employees</i>	2015 <i>No. of employees</i>	2014 <i>No. of employees</i> (unaudited)	2015 <i>No. of employees</i>
Nil to HK\$1,000,000	1	1	–	1	1
HK\$1,000,001 to HK\$1,500,000	–	–	1	–	–
HK\$1,500,001 to HK\$2,000,000	1	–	–	–	–

**14. DIVIDEND**

	Year ended 31 March			Four months ended 31 July	
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
Dividends recognised as distribution during the year/period:					
2015 Interim	–	–	40,000	–	25,200

The dividend paid by a subsidiary, Yee Hop Engineering, to their then shareholders during the year ended 31 March 2015 amounted to HK\$40,000,000.

The dividend paid by subsidiaries, Y.H. Foundations and Yee Hop Construction, to their then shareholders during the four months ended 31 July 2015 amounted to HK\$7,200,000 and HK\$18,000,000 respectively.

Subsequent to the end of reporting period, interim dividends of HK\$42,000,000, HK\$30,000,000 and HK\$30,000,000 in respect of the year ended 31 March 2016 have been proposed by the directors of a subsidiary, Yee Hop Engineering, and paid in August, November and December 2015 respectively.

## 15. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of the Financial Information, is not considered meaningful due to the Reorganisation and the presentation of the results for the Track Record Period on a combined basis as disclosed in note 1 above.

## 16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement <i>HK\$'000</i>	Machinery and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST				
At 1 April 2012	873	53,433	8,742	63,048
Additions	–	44,519	2,300	46,819
Written off	–	–	(270)	(270)
Disposals	–	(2,442)	–	(2,442)
At 31 March 2013 and 1 April 2013	873	95,510	10,772	107,155
Additions	–	45,753	1,115	46,868
Written off	–	(6,281)	(114)	(6,395)
Disposals	–	–	(528)	(528)
At 31 March 2014 and 1 April 2014	873	134,982	11,245	147,100
Additions	–	16,972	8,268	25,240
Written off	–	(3,527)	(1,024)	(4,551)
Disposals	–	(3,749)	(1,706)	(5,455)
At 31 March 2015 and 1 April 2015	873	144,678	16,783	162,334
Additions	–	6,190	300	6,490
Disposals	–	–	(39)	(39)
At 31 July 2015	<u>873</u>	<u>150,868</u>	<u>17,044</u>	<u>168,785</u>
ACCUMULATED DEPRECIATION				
At 1 April 2012	873	27,782	5,531	34,186
Charge for the year	–	11,805	1,422	13,227
Written off	–	–	(270)	(270)
Eliminated on disposals	–	(934)	–	(934)
At 31 March 2013 and 1 April 2013	873	38,653	6,683	46,209
Charge for the year	–	20,135	1,505	21,640
Written off	–	(5,817)	(92)	(5,909)
Eliminated on disposals	–	–	(382)	(382)
At 31 March 2014 and 1 April 2014	873	52,971	7,714	61,558
Charge for the year	–	25,826	1,905	27,731
Written off	–	(3,189)	(813)	(4,002)
Eliminated on disposals	–	(2,716)	(1,697)	(4,413)
At 31 March 2015 and 1 April 2015	873	72,892	7,109	80,874
Charge for the period	–	8,846	851	9,697
Eliminated on disposals	–	–	(39)	(39)
At 31 July 2015	<u>873</u>	<u>81,738</u>	<u>7,921</u>	<u>90,532</u>

	Leasehold improvement <i>HK\$'000</i>	Machinery and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
NET CARRYING VALUES				
At 31 March 2013	–	56,857	4,089	60,946
At 31 March 2014	–	82,011	3,531	85,542
At 31 March 2015	–	71,786	9,674	81,460
At 31 July 2015	–	69,130	9,123	78,253

Property, plant and equipment are depreciated on a straight-line basis on the following basis:

Leasehold improvement	Over the shorter of the term of lease or 3 years
Machinery and equipment	20% per annum
Motor vehicles	20% per annum

The carrying values of plant and equipment held under finance leases were as follows:

	At 31 March			At 31 July
	2013	2014	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Machinery and equipment	39,297	60,941	48,535	46,131
Motor vehicles	1,509	1,154	7,328	6,741
	<u>40,806</u>	<u>62,095</u>	<u>55,863</u>	<u>52,872</u>

## 17. DEBENTURES

	At 31 March			At 31 July
	2013	2014	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted debt securities	1,000	1,000	1,000	1,000
Club debenture, at cost	460	460	460	460
	<u>1,460</u>	<u>1,460</u>	<u>1,460</u>	<u>1,460</u>

The debt securities represented the non-interests bearing debenture issued by International Christian School with principal amount of HK\$1,000,000. The debenture was purchased for the benefit of a director's child and would be refunded upon the graduation of the director's child. The investment is measured at cost less impairment throughout the Track Record Period.

The club debenture represents club membership in a private club in Hong Kong. The directors of the Company consider no impairment identified with reference to the second hand market price of the club debenture as at the end of the reporting period.

**18. TRADE AND RETENTION RECEIVABLES**

The following is an analysis of trade and retention receivables at the end of each reporting period:

	<b>2013</b>	<b>At 31 March 2014</b>	<b>2015</b>	<b>At 31 July 2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	66,899	107,461	85,341	147,024
Retention receivables ( <i>note</i> )	<u>14,089</u>	<u>29,331</u>	<u>35,918</u>	<u>44,131</u>
Trade and retention receivables	<u><u>80,988</u></u>	<u><u>136,792</u></u>	<u><u>121,259</u></u>	<u><u>191,155</u></u>

*Note:* Except for the amount of approximately HK\$13,356,000, HK\$18,696,000, HK\$11,626,000 and HK\$15,274,000 as at 31 March 2013, 2014, 2015 and 31 July 2015 respectively, which were expected to be recovered or settled after one year, all of the remaining balances are expected to be recovered within one year. Retention receivables are included in current assets as the Group expects to realize these within its normal operating cycle.

The Group does not hold any collateral over these balances.

The Group does not have a standardised and universal credit period granted to its customers, and the credit period of individual customer is considered on a case-by-case basis and stipulated in the project contract, as appropriate. The following is an aged analysis of trade receivables, presented based on the certified report which approximates revenue recognition date and invoice date at the end of each reporting period, and net of impairment loss recognised:

	<b>2013</b>	<b>At 31 March 2014</b>	<b>2015</b>	<b>At 31 July 2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	52,183	53,013	28,889	52,660
31 to 60 days	9,903	22,543	31,911	58,552
61 to 90 days	4,020	21,225	3,085	32,342
91 to 180 days	53	213	20,280	3,116
181 to 365 days	–	822	–	–
Over 365 days	<u>740</u>	<u>9,645</u>	<u>1,176</u>	<u>354</u>
	<u><u>66,899</u></u>	<u><u>107,461</u></u>	<u><u>85,341</u></u>	<u><u>147,024</u></u>

As at 31 March 2013, 2014, 2015 and 31 July 2015, included in the Group's trade receivable balances were debtors with aggregate carrying amount of approximately HK\$793,000, HK\$10,680,000, HK\$21,456,000 and HK\$HK\$3,470,000 respectively which were past due at the end of each reporting period for which the Group has not provided for impairment loss.

The aged analysis of trade receivable, presented based on the due date at the end of each reporting period, that were past due but not impaired are as follows:

	<b>2013</b>	<b>At 31 March 2014</b>	<b>2015</b>	<b>At 31 July 2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 90 days	53	213	20,280	3,116
91 to 180 days	–	–	–	–
181 to 365 days	–	822	–	–
Over 365 days	<u>740</u>	<u>9,645</u>	<u>1,176</u>	<u>354</u>
	<u><u>793</u></u>	<u><u>10,680</u></u>	<u><u>21,456</u></u>	<u><u>3,470</u></u>

The directors of the Company consider that there has not been a significant change in credit quality of the trade receivables and there is no recent history of default, therefore the amounts are considered recoverable.

#### 19. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	2013	At 31 March 2014	2015	At 31 July 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Contracts in progress at the end of each reporting period:</b>				
Contract costs incurred plus recognised profits less recognised losses	573,458	499,784	676,316	922,210
Less: progress billings	<u>(566,729)</u>	<u>(579,960)</u>	<u>(767,764)</u>	<u>(998,655)</u>
Amounts due to customers for contract work	<u>6,729</u>	<u>(80,176)</u>	<u>(91,448)</u>	<u>(76,445)</u>
<b>Analysed for reporting purpose as:</b>				
Amounts due from customers for contract work	6,729	6,360	5,542	5,542
Amounts due to customers for contract work	<u>–</u>	<u>(86,536)</u>	<u>(96,990)</u>	<u>(81,987)</u>
	<u>6,729</u>	<u>(80,176)</u>	<u>(91,448)</u>	<u>(76,445)</u>

#### 20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

The following is an analysis of deposit, prepayments and other receivables at the end of each reporting period:

	2013	At 31 March 2014	2015	At 31 July 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Deposits	3,124	2,984	3,412	4,781
Prepayments	1,162	1,162	3,771	4,248
Other receivables	<u>1,692</u>	<u>2,057</u>	<u>1,825</u>	<u>4,060</u>
	<u>5,978</u>	<u>6,203</u>	<u>9,008</u>	<u>13,089</u>

As at 31 March 2015 and 31 July 2015, other receivables with amount approximately HK\$96,000 and HK\$768,000 are secured over the guarantees in respect of performance bonds in favor of its clients. Details refer to note 34.

**21. AMOUNT DUE FROM A DIRECTOR**

The details of amount due from a director are as follows:

	At 31 March			At	During the year			Maximum amount outstanding
	2013	2014	2015	31 July	ended 31 March			During
	HK\$'000	HK\$'000	HK\$'000	2015	2013	2014	2015	the four
					HK\$'000	HK\$'000	HK\$'000	months
								ended
								31 July
								2015
								HK\$'000
Mr. Jim Yin								
Kwan Jackin	288	288	–	–	288	288	288	–

The amount is unsecured, non-interest bearing and repayable on demand.

**22. AMOUNTS DUE FROM SHAREHOLDERS**

The details of amounts due from shareholders are as follows:

	At 31 March			At	During the year			Maximum amount outstanding
	2013	2014	2015	31 July	ended 31 March			During
	HK\$'000	HK\$'000	HK\$'000	2015	2013	2014	2015	the four
					HK\$'000	HK\$'000	HK\$'000	months
								ended
								31 July
								2015
								HK\$'000
Mr. Wong Kam								
Hung	30	430	–	–	30	430	430	–
Mr. Pang Wai	70	370	–	–	70	370	370	–
	100	800	–	–				

The amounts are unsecured, non-interest bearing and repayable on demand.

**23. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH****Pledged bank deposits**

Pledged bank deposits represents deposits pledged to banks to secure banking facilities granted to the Group. All bank deposits have been pledged to secure short-term bank borrowings and are therefore classified as current assets.

As at 31 March 2013, 2014, 2015 and 31 July 2015, pledged bank deposits carried fixed interest rate ranging from 0.25% to 0.37%, 0.31% to 0.34%, 0.30% to 4.10% and 0.30% to 4.50% respectively.

**Bank balances and cash**

Bank balances earned interest at floating rates based on daily bank deposit rates which range from 0% to 4.10% per annum.

**24. TRADE AND RETENTION PAYABLES**

The following is an analysis of trade and retention payables at the end of each reporting period:

	<b>2013</b>	<b>At 31 March</b>	<b>2015</b>	<b>At 31 July</b>
	<i>HK\$'000</i>	<i>2014</i>	<i>2015</i>	<i>2015</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	14,829	33,700	33,147	40,193
Retention payables	1,907	3,480	3,695	4,187
	<u>16,736</u>	<u>37,180</u>	<u>36,842</u>	<u>44,380</u>

The average credit period on purchases of goods is from 30 to 60 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe. The following is the aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	<b>2013</b>	<b>At 31 March</b>	<b>2015</b>	<b>At 31 July</b>
	<i>HK\$'000</i>	<i>2014</i>	<i>2015</i>	<i>2015</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 90 days	12,830	32,252	31,957	38,990
91 to 180 days	99	1,432	24	53
181 to 365 days	1,900	16	16	–
Over 365 days	–	–	1,150	1,150
	<u>14,829</u>	<u>33,700</u>	<u>33,147</u>	<u>40,193</u>

In the combined statements of financial position, retention payables were classified as current liabilities. The aging of the retention payables was as follows:

	<b>2013</b>	<b>At 31 March</b>	<b>2015</b>	<b>At 31 July</b>
	<i>HK\$'000</i>	<i>2014</i>	<i>2015</i>	<i>2015</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	451	1,665	2,338	3,642
Between 2 and 5 years	1,456	1,815	1,357	545
	<u>1,907</u>	<u>3,480</u>	<u>3,695</u>	<u>4,187</u>

**25. ACCRUALS AND OTHER PAYABLES**

	<b>2013</b>	<b>At 31 March</b>	<b>2015</b>	<b>At 31 July</b>
	<i>HK\$'000</i>	<i>2014</i>	<i>2015</i>	<i>2015</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Accrued audit fee	108	300	300	120
Accrued salary	4,965	6,073	8,162	8,886
Accrued professional fee	45	206	291	333
Provision for legal claim ( <i>note</i> )	110	2,217	4,127	2,127
Accrued listing expenses	–	–	5,677	4,215
Other payable	1,107	2,201	954	1,215
	<u>6,335</u>	<u>10,997</u>	<u>19,511</u>	<u>16,896</u>

*Note:* A subsidiary has been named as a defendant in High Court actions in respect of two disputes of (1) the outstanding legal fee and (2) the outstanding service fee for amounts of approximately HK\$1,914,000 and HK\$6,100,000 in 2014 and 2011 respectively. According to court order, a sum of HK\$4,000,000 was paid to the court in 2014 in respect of service fee dispute and additional of approximately HK\$2,127,000 and HK\$2,000,000 provision for any potential liability been made in the combined financial statements in 2014 for legal fee dispute and 2015 for service fee dispute respectively. The case on service fee dispute was settled during the four months ended 31 July 2015.

## 26. BANK BORROWINGS/SECURED BANK OVERDRAFTS

### Bank borrowings

	At 31 March		At 31 July	
	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank borrowings				
Secured bank loans	13,951	2,300	683	247
Trust receipt loans	4,928	–	–	–
	18,879	2,300	683	247
Bank overdraft – secured	3,361	412	–	–
	<u>22,240</u>	<u>2,712</u>	<u>683</u>	<u>247</u>
Carrying amount repayable*				
Within one year	16,579	1,617	683	247
More than one year, but not exceeding two years	1,617	683	–	–
More than two years but not more than five years	683	–	–	–
	<u>18,879</u>	<u>2,300</u>	<u>683</u>	<u>247</u>
Carrying amount of bank borrowings that is not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	2,300	683	–	–
Carrying amount repayable within one year	16,579	1,617	683	247
	18,879	2,300	683	247
Bank overdraft – secured	3,361	412	–	–
	22,240	2,712	683	247
Amount shown under current liabilities	<u>(22,240)</u>	<u>(2,712)</u>	<u>(683)</u>	<u>(247)</u>
Amounts shown under non-current liabilities	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>



- \* The amounts due are based on scheduled repayment dates set out in the loan agreements.
- (a) The bank borrowings were denominated in HK\$ for the Track Record Period.
- (b) At 31 March 2013, 2014, 2015 and 31 July 2015, secured bank loans carried interest at floating rates ranging from 2.62% to 2.96%, 2.62% to 2.96%, 2.42% to 3.00% and 2.64% to 2.74% per annum respectively.
- (c) At 31 March 2013, 2014, 2015 and 31 July 2015, bank overdraft carried interest at floating rates of 4% per annum respectively.
- (d) At 31 March 2013, 2014, 2015 and 31 July 2015 trust receipt loans carried interest at 2.21%, 2.21%, nil and nil per annum respectively.
- (e) During the each year/period ended 31 March 2013, 2014, 2015 and 31 July 2015, the Group obtained new bank borrowings in the amounts of approximately HK\$17,894,000, HK\$10,275,000, nil and nil respectively. The loans bear interest at market rates.
- (f) The amounts of banking facilities and the utilisation at the end of the reporting period are set out as follows:

	<b>At 31 March</b>			<b>At 31 July</b>
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Facility amount	<u>119,051</u>	<u>170,667</u>	<u>159,601</u>	<u>166,066</u>
Utilisations				
– Secured bank borrowings	22,240	2,712	683	247
– Finance lease	31,790	42,480	33,641	35,305
– Performance bonds	<u>29,134</u>	<u>52,762</u>	<u>49,231</u>	<u>51,014</u>
	<u>83,164</u>	<u>97,954</u>	<u>83,555</u>	<u>86,566</u>

As at 31 March 2013, 2014, 2015 and 31 July 2015, banking facilities were secured by assets pledged as set out in note 34:

- pledged bank deposits of the Group as set out in note 22;
- certain properties and securities of a related company;
- certain receivables of a subsidiaries;
- deposits of HK\$1,500,000 of a director of the Company as at 31 March 2013 and 2014, and released in 2015;
- guarantee for an amount of approximately 80% of the amounts granted by the bank to the Group from the Government of the Hong Kong Special Administrative Region as at 31 March 2013, and released as at 31 July 2015; and
- unlimited personal guarantee provided by the directors of the Company.

## 27. OBLIGATIONS UNDER FINANCE LEASES

	At 31 March		At 31 July	
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2015 HK\$'000
Analysed for reporting purposes as:				
Current liabilities	14,989	19,708	15,964	16,044
Non-current liabilities	<u>17,964</u>	<u>23,934</u>	<u>18,396</u>	<u>18,530</u>
	<u>32,953</u>	<u>43,642</u>	<u>34,360</u>	<u>34,574</u>

It is the Group's policy to lease certain of its motor vehicles and machinery under finance lease. The average lease term is 2-5 years. The obligation under finance leases carried interest at floating rates from 2.63% to 5.25% per annum, and at fixed rates from 1.18% to 2.25% per annum.

	Minimum lease payments				Present value of minimum lease payments			
	At 31 March		At 31 July		At 31 March		At 31 July	
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2015 HK\$'000	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2015 HK\$'000
Amounts payable under finance leases								
Within one year	15,866	21,144	16,731	16,840	14,989	19,708	15,964	16,044
More than one year but less than two years	13,686	12,168	11,747	12,865	13,300	12,197	11,374	12,497
More than two years but less than five years	<u>4,710</u>	<u>12,051</u>	<u>7,128</u>	<u>6,130</u>	<u>4,664</u>	<u>11,737</u>	<u>7,022</u>	<u>6,033</u>
	34,262	45,363	35,606	35,835	32,953	43,642	34,360	34,574
Less: future finance charges	<u>(1,309)</u>	<u>(1,721)</u>	<u>(1,246)</u>	<u>(1,261)</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Present value of obligations under finance lease	<u>32,953</u>	<u>43,642</u>	<u>34,360</u>	<u>34,574</u>				
Less: amount due for settlement within 1 year (shown under current liabilities)					<u>(14,989)</u>	<u>(19,708)</u>	<u>(15,964)</u>	<u>(16,044)</u>
Amount due for settlement after 1 year					<u>17,964</u>	<u>23,934</u>	<u>18,396</u>	<u>18,530</u>

The finance leases are secured by certain property, plant and equipment with carrying amounts of HK\$40,806,000, HK\$62,095,000, HK\$55,863,000 and HK\$52,872,000 of subsidiaries as at 31 March 2013, 2014, 2015 and 31 July 2015 and four months ended 31 July 2015 and unlimited personal guarantees given by directors as at 31 March 2013 and 2014. The said guarantees given by directors and certain subsidiaries are to be released and replaced by guarantees of the Company upon Listing of the Company.

**28. AMOUNTS DUE TO SHAREHOLDERS**

	At 31 March		At 31 July	
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2015 HK\$'000
Mr. Jim Yin Kwan Jackin	8,252	6,372	–	–
Mr. Chui Mo Ming	2,198	3,326	–	–
Mr. Wong Kam Hung	1,000	1,000	–	–
Mr. Pang Wai	1,000	1,000	–	–
Mr. Ho Wai Keung	1,000	–	–	–
	<u>13,450</u>	<u>11,698</u>	<u>–</u>	<u>–</u>

During the Track Record Period, Mr. Jim Yin Kwan Jackin and Mr. Chui Mo Ming are directors of the Group.

The amounts are unsecured, interest-free and with no fixed repayment term. The shareholders have given consent that notice in writing of not less than twelve months to the Group is needed for demand for repayment. Otherwise, repayment is at the discretion of the Group when the directors of the Group consider appropriate. No notices have been received from the shareholders demanding the repayment at the end of each reporting period. In the opinion of the directors of the Company, the balances would not become repayable within the next year and the amounts were classified as non-current liabilities. The amounts were fully settled in 2015.

**29. LONG SERVICE PAYMENT OBLIGATIONS**

Under the Hong Kong Employment Ordinance, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Group. The amount payable is dependent on the employees' final salary and years of service, and is reduced by entitlements accrued under the Group's retirement plans that are attributable to contributions made by the Group. The Group does not set aside any assets to fund any remaining obligations.

Movement in the long service payment obligations is as follows:

	As 31 March		As 31 July	
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2015 HK\$'000
At beginning of the year/period	465	984	786	544
Charged (credited) to profit or loss	520	(46)	(242)	–
Payments made during the year/period	<u>(1)</u>	<u>(152)</u>	<u>–</u>	<u>–</u>
At the end of the year/period	<u>984</u>	<u>786</u>	<u>544</u>	<u>544</u>

The provision represents the management's best estimate of the Group's liability at the end of the reporting period.

The value of the retirement benefits of the Group was determined by the management's best estimation which is based on the valuation.

**30. DEFERRED TAX LIABILITIES**

The following is the analysis of the deferred tax (liabilities), after set off certain deferred tax assets against deferred liabilities of the same taxable entity, for the financial reporting purposes:

	<b>At 31 March</b>			<b>At 31 July</b>
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred tax liabilities	<u>(4,266)</u>	<u>(4,385)</u>	<u>(6,928)</u>	<u>(6,375)</u>

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the Track Record Period:

	<b>Accelerated tax depreciation</b>	<b>Tax losses</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2012	(3,022)	–	(3,022)
Charged to profit and loss ( <i>note 10</i> )	<u>(2,254)</u>	<u>1,010</u>	<u>(1,244)</u>
At 31 March 2013 and 1 April 2013	(5,276)	1,010	(4,266)
Charged to profit or loss ( <i>note 10</i> )	<u>(1,932)</u>	<u>1,813</u>	<u>(119)</u>
At 31 March 2014 and 1 April 2014	(7,208)	2,823	(4,385)
Charged to profit or loss ( <i>note 10</i> )	<u>(1,664)</u>	<u>(879)</u>	<u>(2,543)</u>
At 31 March 2015 and 1 April 2015	(8,872)	1,944	(6,928)
Charged to profit or loss ( <i>note 10</i> )	<u>857</u>	<u>(304)</u>	<u>553</u>
At 31 July 2015	<u>(8,015)</u>	<u>1,640</u>	<u>(6,375)</u>

**31. SHARE CAPITAL**

The balances as at 1 April 2012, 31 March 2013 and 2014 represented the aggregate share capital of the Company, Yee Hop Engineering, Yee Hop Construction and Y.H. Foundations.

The balances as at 31 March 2015 represented the aggregate share capital of the Company and Yee Hop Engineering.

The balance as at 31 July 2015 represented the aggregate share capital of the Company, YH Investments and Yee Hop Engineering.

Upon incorporation of Y.H. Foundations in 2012, the authorised share capital of the subsidiary was HK\$10,000 divided into 10,000 ordinary shares of HK\$1 each, of which 1,000 subscription shares were allotted and issued at par for the initial working capital.

During the year ended 31 March 2015, the Yee Hop Engineering allotted and issued to a total of 1,467,400,000 shares of the entity at HK\$2,200,001 to the shareholders who elected to receive shares in the entity in lieu of cash for the 2014 final and 2015 interim dividends pursuant to the scrip dividend scheme announced by the entity on 2015. These shares rank pari passu in all respects with other shares in issue.

Upon incorporation of YH Investments in 2015, the authorized share capital of the subsidiary was USD50,000 divided into 50,000 ordinary shares of USD1 each, of which 1,000 subscription shares were allotted and issued at par for the initial working capital.

## 32. COMMITMENTS

## (a) Operating lease commitment

*The Group as lessee*

The Group leases its office properties, site offices, storage area, staff quarter and machinery under operating lease arrangement. Leases are negotiated for lease terms of two to three years. At the end of each reporting period, the Group had future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 31 March		At 31 July	
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2015 HK\$'000
Within one year	1,285	2,096	1,907	4,112
In the second to fifth years inclusive	—	538	181	2,953
	<u>1,285</u>	<u>2,634</u>	<u>2,088</u>	<u>7,065</u>

## (b) Others

	At 31 March		At 31 July	
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2015 HK\$'000
Capital commitments contracted for but not provided in the combined financial statements in respect of:				
– Acquisition of property, plant and equipment	—	3,647	2,444	2,845
	<u>—</u>	<u>3,647</u>	<u>2,444</u>	<u>2,845</u>

## 33. CONTINGENT LIABILITIES

At the end of the reporting period, the Group had provided the following guarantees:

	At 31 March		At 31 July	
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2015 HK\$'000
Guarantees in respect of performance bonds in favor of its clients	29,134	52,762	51,149	66,372
	<u>29,134</u>	<u>52,762</u>	<u>51,149</u>	<u>66,372</u>

In the opinion of the directors of the Company, it was not probable that a claim would be made against the Group under the guarantee; therefore, no provision for such guarantee was made in the combined financial statements for the years ended 31 March 2013, 2014, 2015 and four months ended 31 July 2015.

**34. PLEDGE OF ASSETS**

At the end of the reporting period, the Group had pledged the following assets to banks and other financial institution to secure the banking facilities granted to the Group:

	<b>At 31 March</b>			<b>At 31 July</b>
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Plant and equipment	40,806	62,095	55,863	52,872
Other receivable	–	–	96	768
Bank deposits	<u>2,013</u>	<u>2,019</u>	<u>4,026</u>	<u>4,028</u>
	<u>42,819</u>	<u>64,114</u>	<u>59,985</u>	<u>57,668</u>

**35. RELATED PARTY TRANSACTIONS**

(a) Save as disclosed elsewhere in the Financial Information, during the Track Record Period, the Group entered into transactions with related parties as follows:

Related party	Nature of transaction	Year ended 31 March			Four months ended 31 July	
		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)	
Pioneer National Development Limited	Rental expenses	300	600	600	200	254
Celebright Limited	Engineering income	3,550	–	–	–	–
	Reimbursement expenses	–	–	228	25	99
Chun Wai Engineering Company	Rental income from plant and equipment	–	1,222	–	–	–
	Rental and site expense	4,110	2,879	348	295	–
	Purchase of plant and equipment	–	4,200	–	–	–
Chun Wai Cranes Limited	Rental and site expense	–	–	1,431	–	3,771
Records Management Services (HK) Limited	Consultancy fee expense	530	–	–	–	–

The above transaction was conducted at terms determined on a basis mutually agreed between the Group and the related parties. The directors of the Company have beneficial interest in the above mentioned related parties.

**(b) Banking facilities**

The directors of the Company has provided unlimited personal guarantee and deposits of for the grant of banking facilities to the Group as disclosed in note 26.

**(c) Compensation of key management personnel**

The directors consider that they are the key management personnel of the Group. Other than remuneration paid to the directors of the Company and debenture held for the benefits in kind of the director of the Company as disclosed in notes 12 and 17, the Company paid significant compensation to two key management personnel during the year ended 31 March 2013 and one key management personnel during the year ended 31 March 2014, 2015 and during the four months ended 31 July 2014 and 2015, details of which are disclosed in note 13.

**36. MAJOR NON-CASH TRANSACTIONS**

During each of year ended 31 March 2013, 2014, 2015 and four months ended 31 July 2015, the Group entered into finance lease arrangements in respect of plant and machinery with a total capital value at the inception of the leases of approximately HK\$39,560,000, HK\$27,763,000, HK\$12,827,000 and HK\$4,112,000 respectively.

**37. RETIREMENT BENEFIT PLANS****Defined contribution plans**

The Group operates a Mandatory Provident Fund ("MPF") Scheme for all qualifying employees in Hong Kong. The assets of the MPF are held separately from those of the Group, in funds under the control of trustees. The retirement benefit cost for the MPF charged to the combined statement of profit or loss and other comprehensive income represents contributions payable to the fund by the Group at rates specified in the rules of the MPF Scheme.

For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs, capped at HK\$1,500 (HK\$1,250 prior to June 2014) per month, to the MPF Scheme, in which the contribution is matched by the employee.

The total cost charged to combined statement of profit or loss and other comprehensive income of approximately HK\$4,412,000, HK\$4,380,000, HK\$5,339,000, HK\$1,639,000 and HK\$2,102,000 for the year ended 31 March 2013, 2014, 2015 and four months ended 31 July 2014 and 2015 respectively. The payment represents contributions payable to these schemes by the Group in respect of the current accounting period.

**38. NON-CONTROLLING INTERESTS**

The tables below show details of the subsidiary that have material non-controlling interests during the Track Record Period:

**Y.H. Foundations**

	2013	At 31 March 2014	2015	At 31 July 2015
Proportion of effective interests held by non-controlling interests	<u>35%</u>	<u>23.3%</u>	<u>11.6%</u>	<u>–</u>
Voting rights held by non-controlling interests	<u>35%</u>	<u>23.3%</u>	<u>11.6%</u>	<u>–</u>

On 26 April 2013, 14 November 2014 and 31 May 2015, the non-controlling shareholders of Y.H. Foundations transferred 117 shares, 117 shares and 116 shares to Mr. Jim Yin Kwan Jackin and Mr. Chui Mo Ming at considerations of HK\$117, HK\$700,000 and HK\$116, representing 11.7%, 11.7% and 11.6% of total issued share capital of the entity respectively.

	<b>2013</b> <i>HK\$'000</i>	<b>At 31 March</b> <b>2014</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>	<b>At 31 July</b> <b>2015</b> <i>HK\$'000</i>
Profit/(loss) attributable to non-controlling interests	<u>656</u>	<u>(151)</u>	<u>645</u>	<u>(28)</u>
Accumulated non-controlling interests	<u>656</u>	<u>286</u>	<u>844</u>	<u>–</u>

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intra-group eliminations.

#### Y.H. Foundations

	<b>2013</b> <i>HK\$'000</i>	<b>At 31 March</b> <b>2014</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>	<b>At 31 July</b> <b>2015</b> <i>HK\$'000</i>
Non-current assets	<u>20,013</u>	<u>35,063</u>	<u>28,082</u>	<u>N/A</u>
Current assets	<u>10,652</u>	<u>9,790</u>	<u>12,116</u>	<u>N/A</u>
Current liabilities	<u>(17,995)</u>	<u>(31,165)</u>	<u>(26,699)</u>	<u>N/A</u>
Non-current liabilities	<u>(10,793)</u>	<u>(12,460)</u>	<u>(6,211)</u>	<u>N/A</u>
Equity attributable to owner of the Company	<u>1,221</u>	<u>942</u>	<u>6,444</u>	<u>N/A</u>
Non-controlling interests	<u>656</u>	<u>286</u>	<u>844</u>	<u>N/A</u>



	Year ended 31 March			Four months ended 31 July	
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000
				(unaudited)	
Revenue	<u>24,125</u>	<u>31,285</u>	<u>62,576</u>	<u>7,558</u>	<u>17,215</u>
Other income and other gains	<u>13</u>	<u>1,832</u>	<u>933</u>	<u>879</u>	<u>–</u>
Expenses	<u>22,262</u>	<u>33,766</u>	<u>57,449</u>	<u>11,019</u>	<u>17,117</u>
Profit/(loss) and total comprehensive income/(expense) for the year/period	<u>1,876</u>	<u>(649)</u>	<u>6,060</u>	<u>(2,086)</u>	<u>98</u>
Profit/(loss) and total comprehensive income/(expense) for the year/period					
Owner of the Company	1,220	(498)	5,415	(1,600)	126
Non-controlling interests	<u>656</u>	<u>(151)</u>	<u>645</u>	<u>(486)</u>	<u>(28)</u>
	<u>1,876</u>	<u>(649)</u>	<u>6,060</u>	<u>(2,086)</u>	<u>98</u>

	Year ended 31 March			Four months ended 31 July	
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000
				(unaudited)	
Net cash (outflow)/inflow from operating activities	<u>(1,286)</u>	<u>5,962</u>	<u>17,199</u>	<u>(5,622)</u>	<u>570</u>
Net cash (outflow)/inflow from investing activities	<u>(7,050)</u>	<u>(10,120)</u>	<u>(4,399)</u>	<u>10,130</u>	<u>10,045</u>
Net cash inflow/(outflow) from financing activities	<u>10,553</u>	<u>2,663</u>	<u>(11,263)</u>	<u>(3,875)</u>	<u>(9,749)</u>
Net cash inflow/(outflow)	<u>2,217</u>	<u>(1,495)</u>	<u>1,537</u>	<u>633</u>	<u>866</u>

**B. EVENTS AFTER THE REPORTING PERIOD****(a) Reorganisation**

The companies comprising the Group underwent a reorganisation to rationalise the Group's structure in preparation for the listing of Company's shares on the Main Board of the Stock Exchange. Details of the Reorganisation are set out in the section headed "History, Reorganisation and Corporate Structure" to the Prospectus. As a result of the Reorganisation, the Company become the holding company of the Group on 14 August 2015.

**(b) Dividend**

Subsequent to the end of reporting period, interim dividends of HK\$42,000,000, HK\$30,000,000 and HK\$30,000,000 in respect of the year ended 31 March 2016 have been proposed by the directors of a subsidiary, Yee Hop Engineering, and paid in August, November and December 2015 respectively.

**(c) Share option scheme**

Pursuant to the written resolution of the shareholders of the Company passed on 25 November 2015, the Company has conditionally adopted a share option scheme, details of which are set out in the paragraph headed "E. Share Option Scheme" in Appendix IV to this prospectus.

**(d) Capitalisation issue**

Pursuant to the written resolution of the sole Shareholder of the Company passed on 25 November 2015, the Company has conditionally approved the issue of shares pursuant to capitalisation issue. Details of which are set out in the section headed "Statutory and general information — Written resolution of the sole Shareholder" in Appendix IV to this prospectus.

**C. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Group, the Company or any of its subsidiaries in respect of any period subsequent to 31 July 2015.

Yours faithfully,

**SHINEWING (HK) CPA Limited**

*Certified Public Accountants*

**Pang Wai Hang**

Practicing Certificate Number: P05044

Hong Kong

## APPENDIX II    UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this Appendix does not form part of the Accountants' Report from the reporting accountants, SHINEWING (HK) CPA LIMITED, Certified Public Accountants, Hong Kong, as set out in Appendix I, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

### A. STATEMENT OF UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted combined net tangible assets of the Group (the "Pro Forma Financial Information") prepared in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited is for illustrative purpose only, and is set out below to illustrate the effect of the Share Offer on the Group's combined net tangible assets attributable to the owners of the Company as at 31 July 2015 as if the Share Offer had taken place on 31 July 2015.

The Pro Forma Financial Information has been prepared based on the judgments, estimates and assumptions of the Directors, and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group as at 31 July 2015 or any further dates following the Share Offer.

The Pro Forma Financial Information is prepared based on the audited combined net tangible assets attributable to owners of the Company as at 31 July 2015 as set out in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below.

	Audited combined net tangible assets of the Group attributable to owners of the Company as at 31 July 2015 <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Share Offer <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at 31 July 2015 <i>HK\$'000</i>	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share as at 31 July 2015 <i>HK\$</i> <i>(Note 3)</i>
Based on the Offer Price of HK\$0.69 per share	156,265	80,282	236,547	0.47
Based on the Offer Price of HK\$1.03 per share	156,265	121,613	277,878	0.56

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## APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

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*Notes:*

1. The audited combined net tangible assets attributable to owners of the Company as at 31 July 2015 is extracted from the accountants' report as set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Share Offer of 125,000,000 new Shares are based on the Offer Price of HK\$0.69 and HK\$1.03 per Share, after deduction of the underwriting fees and other related expenses paid/payable by the Company. The calculation of the estimated net proceeds from the Share Offer does not take into account any Shares which may be issued upon the exercise of any options may be granted under the Share Option Scheme.
3. The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share is calculated based on 500,000,000 Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue on 31 July 2015 but takes no account of any Shares which may be issued upon the exercise of the options that may be granted under the Share Option Scheme.
4. The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company and the unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share have not taken into account the dividend declared on 25 August 2015, 17 November 2015 and 24 November 2015 for payment to the then shareholders of the entity (namely Yee Hop Engineering) amounting to HK\$42,000,000, HK\$30,000,000 and HK\$30,000,000 respectively. The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at 31 July 2015 would have been reduced to HK\$134,547,000 and HK\$175,878,000 and the unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share would have been reduced to HK\$0.27 and HK\$0.35 per Share, based on the Offer Price of HK\$0.69 and HK\$1.03 per Share respectively, after taking into account the payment of the dividend in the sum of HK\$102,000,000.
5. No adjustments have been made to the unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 31 July 2015.

**B. ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of a report received from the reporting accountants, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



SHINEWING (HK) CPA Limited  
43/F., Lee Garden One  
33 Hysan Avenue  
Causeway Bay, Hong Kong

8 December 2015

The Board of Directors  
Yee Hop Holdings Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Yee Hop Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the statement of unaudited pro forma adjusted combined net tangible assets as at 31 July 2015 and related notes as set out on pages II-1 to II-2 in Appendix II to the prospectus dated 8 December 2015 (the “**Prospectus**”) in connection with the proposed placing and public offer of the shares of the Company (the “**Share Offer**”). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 in Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Share Offer on the Group’s financial position as at 31 July 2015 as if the Share Offer had taken place at 31 July 2015. As part of this process, information about the Group’s financial position has been extracted by the directors of the Company from the Group’s financial statement for the years ended 31 March 2013, 2014, 2015 and four months ended 31 July 2015, on which an accountants’ report has been issued and included in the Prospectus.

**Directors’ Responsibility for the Pro Forma Financial Information**

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

**Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 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 complies with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG7 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 the Prospectus is solely to illustrate the impact of the Share Offer on unadjusted financial information of the Group as if the Share Offer 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 Share Offer at 31 July 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 pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited 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 accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

**SHINEWING (HK) CPA Limited**

*Certified Public Accountants*

**Pang Wai Hang**

Practising Certificate Number: P05044

Hong Kong



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 12 February 2015 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and the Amended and Restated Articles of Association (**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 25 November 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 summarized above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of the Company.

*(ix) Register of Directors and officers*

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

*(x) Proceedings of the Board*

Subject to the Articles, the Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

**(c) Alterations to the constitutional documents**

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed by the Company by special resolution.



**(d) Variation of rights of existing shares or classes of shares**

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

**(e) Alteration of capital**

The Company may, by an ordinary resolution of its members, (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; and (e) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by 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, 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 summarized financial statements to shareholders who has, in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles), consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles), and must be sent to the shareholders not less than 21 days before the general meeting to those shareholders that have consented and elected to receive the summarized financial statements.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

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 a 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 Cayman 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 the 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 Cayman 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 Cayman 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 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 summarized in paragraph 3(f) of this Appendix.

**(t) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, on the shares held by them respectively.

In the event that the Company is wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

**(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 12 February 2015 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, however the directors have certain duties of care, diligence and skill and also fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

**(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 10 March 2015.

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 advisor 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 and available for public inspection in Hong Kong" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**A. FURTHER INFORMATION ABOUT OUR COMPANY****1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 12 February 2015. Our Company has established a principal place of business in Hong Kong at Unit 1104-06, Nan Fung Commercial Centre, 19 Lam Lok Street, Kowloon Bay, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 30 June 2015. Wu Tai Cheung, of Flat H, 3/F, Block 8, Willow Mansions, Whampoa Garden, 120 Baker Street, Hung Hom, Kowloon, Hong Kong has been appointed as an authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company is incorporated in the Cayman Islands, it is subject to the Companies Law and its constitution documents comprise the Memorandum of Association and the Articles of Association. A summary of various parts of the constitution documents and relevant aspects of the Companies Law is set out in Appendix III to this prospectus.

**2. Changes in share capital of our Company**

- (a) Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 12 February 2015 with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each, of which one Share was allotted and issued fully paid to an initial subscriber at par. On 12 February 2015, such subscriber's Share was transferred to YH Assets for cash at par and the share transfer was legally completed on the same date.
- (b) As part of the Reorganisation, our Company entered into the sale and purchase agreement with YH Assets on 14 August 2015 to acquire the entire issued share capital of YH Investments in consideration of our Company allotting 99 Shares, all credited as fully paid to YH Assets.
- (c) On 25 November 2015, the authorised share capital of our Company was increased from HK\$380,000 to HK\$15,600,000 by the creation of an additional 1,522,000,000 new Shares pursuant to a resolution in writing passed by its sole Shareholder referred to in the paragraph headed "Written resolutions of the sole Shareholder" below.

Immediately following completion of the Share Offer and the Capitalisation Issue (taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Adjustment Options and any options that may be granted under the Share Option Scheme), the authorised share capital of our Company will be HK\$15,600,000 divided into 1,560,000,000 Shares and the issued share capital of our Company will be HK\$5,000,000 divided into 500,000,000 Shares, all fully paid or credited as fully paid, with 1,060,000,000 Shares remaining unissued.

Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “Written resolutions of the sole Shareholder” below and the exercise of the Adjustment Options and any options which may be granted under the Share Option Scheme, our Directors do not have any present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of the Shareholder at general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this prospectus, there has been no alteration in the share capital of our Company since the date of its incorporation.

### **3. Changes in share capital of the subsidiaries of our Company**

Our Company’s subsidiaries are referred to in the Accountants’ Report, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in the section “History, Reorganisation and Corporate Structure” of 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.

### **4. Written resolutions of the sole Shareholder**

Pursuant to the written resolutions of our sole Shareholder passed on 25 November 2015, among other things:

- (a) our Company approved and adopted the Articles, the terms of which are summarised in Appendix III to this prospectus;
- (b) the authorised share capital of our Company was increased from HK\$380,000 to HK\$15,600,000 by the creation of additional 1,522,000,000 Shares of HK\$0.01 each;
- (c) conditional on (i) the Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned in this prospectus including any Shares which may be allotted and issued pursuant to the exercise of the Adjustment Options and options which may be granted under the Share Option Scheme; and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise (collectively the “**Conditions**”):
  - (i) the Share Offer and the Adjustment Options were approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer and such number of Shares as may be allotted and issued pursuant to the exercise of the Adjustment Options;
  - (ii) the Share Option Scheme was 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 the Shares thereunder and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme; and

- (iii) conditional on the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to capitalise HK\$3,749,999 standing to the credit of our Company's share premium account towards paying up in full at par 374,999,900 Shares for allotment and issue to holders of Shares whose names appeared on the register of members of our Company at the close of business on 25 November 2015 (or as they may direct) in proportion as nearly as may be without involving fractions to their then existing shareholdings in our Company and the Shares to be allotted and issued pursuant to the resolution shall rank *pari passu* in all respects with the existing issued Shares (other than the Capitalisation Issue) and our Directors or any committee of the Board were authorised to give effect to the Capitalisation Issue;
- (d) conditional upon the fulfillment of the Conditions:
  - (i) a general unconditional mandate was given to our Directors to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangement providing for the allotment and issue of the Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles, or the exercise of any subscription or conversion rights attaching to any warrants or any securities which are convertible into Shares or the exercise of the Adjustment Options or an issue of Shares pursuant to the exercise of options which may be granted under the Share Option Scheme, Shares with an aggregate nominal amount not exceeding 20% of the aggregate nominal amount of the share capital of our Company in issue immediately upon completion of the Share Offer and the Capitalisation Issue (taking no account of any Shares which may be issued upon the exercise of the Adjustment Options and any options which may be granted under the Share Option Scheme). Such mandate will expire at the conclusion of the next annual general meeting of our Company; or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable law of the Cayman Islands to be held; or when revoked, varied or renewed by an ordinary resolution of the Shareholders in a general meeting, whichever occurs first;
  - (ii) a general unconditional mandate was given to our Directors authorising the repurchase by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, in accordance with all applicable laws and the requirements of the Listing Rules (or of such other stock exchange), of Shares not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue and to be issued immediately upon completion of the Share Offer

and the Capitalisation Issue (taking no account of any Shares which may be issued upon the exercise of the Adjustment Options and any options which may be granted under the Share Option Scheme). Such mandate will expire at the conclusion of the next annual general meeting of our Company; or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable law of the Cayman Islands to be held; or when revoked, varied or renewed by an ordinary resolution of the Shareholders in a general meeting, whichever occurs first; and

- (iii) the general unconditional mandate as mentioned in sub-paragraph (d)(i) above was extended by the addition to the aggregate nominal amount of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal amount of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (d)(ii) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but taking no account of any Shares which may be issued upon the exercise of the Adjustment Options and any options which may be granted under the Share Option Scheme.

## **5. Corporate reorganisation**

Our Group has undergone the Reorganisation in preparation for Listing which involved the following steps:

- (a) On 2 February 2015, JJ1318 was incorporated in BVI with limited liability. JJ1318 was authorised to issue a maximum of 50,000 shares of US\$1.00 each, of which 100 shares were allotted and issued fully paid to Mr. Jim at par. JJ1318 was set up as a vehicle of Mr. Jim to hold his interest in our Company.
- (b) On 2 February 2015, MM1318 was incorporated in BVI with limited liability. MM1318 was authorised to issue a maximum of 50,000 shares of US\$1.00 each, of which 100 shares were allotted and issued fully paid to Mr. Chui at par. MM1318 was set up as a vehicle of Mr. Chui to hold his interest in our Company.
- (c) On 5 February 2015, YH Assets was incorporated in BVI with limited liability. YH Assets was authorised to issue a maximum of 50,000 shares of US\$1.00 each, of which 510 shares and 490 shares were allotted and issued fully paid to JJ1318 and MM1318 at par respectively. YH Assets was set up to be a corporate shareholder of our Company.
- (d) On 12 February 2015, YH Investments was incorporated in BVI with limited liability. YH Investments was authorised to issue a maximum of 50,000 shares of US\$1.00 each, of which 1,000 shares were allotted and issued fully paid to YH Assets at par.

- (e) On 12 February 2015, our Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each, of which one Share was allotted and issued fully paid to an initial subscriber at par. On 12 February 2015, such subscriber's Share was transferred to YH Assets for cash at par and the share transfer was legally completed on the same date.
- (f) On 16 February 2015, YH Construction BVI was incorporated in BVI with limited liability. YH Construction BVI was authorised to issue a maximum of 50,000 shares of US\$1.00 each, of which 1,000 shares were allotted and issued fully paid to YH Investments at par.
- (g) On 16 February 2015, YH Engineering BVI was incorporated in BVI with limited liability. YH Engineering BVI was authorised to issue a maximum of 50,000 shares of US\$1.00 each, of which 1,000 shares were allotted and issued fully paid to YH Investments at par.
- (h) On 19 February 2015, YH Foundations BVI was incorporated in BVI with limited liability. YH Foundations BVI was authorised to issue a maximum of 50,000 shares of US\$1.00 each, of which 1,000 shares were allotted and issued fully paid to YH Investments at par.
- (i) On 26 March 2015, YH Engineering BVI (as subscriber) entered into a subscription agreement relating to 1,465,200,000 ordinary shares in Yee Hop Engineering with Yee Hop Engineering, pursuant to which Yee Hop Engineering allotted and issued 1,465,200,000 new shares, which represented 99% of the enlarged issued share capital of Yee Hop Engineering, to YH Engineering BVI at the nominal consideration of HK\$1.00. Upon completion of the subscription, the number of issued shares of Yee Hop Engineering increased to 1,480,000,000 shares, which were held as to 7,400,000 shares, 7,400,000 shares and 1,465,200,000 shares by Mr. Jim, Mr. Chui and YH Engineering BVI respectively.
- (j) On 26 March 2015, Mr. Jim and Mr. Chui (as vendors) entered into a sale and purchase agreement relating to the sale and purchase of 1,000 ordinary shares in Yee Hop Construction with YH Construction BVI (as purchaser), pursuant to which Mr. Jim and Mr. Chui agreed to transfer respectively 600 shares and 400 shares of Yee Hop Construction to YH Construction BVI at an aggregate nominal consideration of HK\$2.00 and such transfer was legally completed on the same date. As a result, Yee Hop Construction became a wholly owned subsidiary of YH Construction BVI.
- (k) On 26 March 2015, Mr. Jim and Mr. Chui (as vendors) entered into a sale and purchase agreement relating to the sale and purchase of 884 ordinary shares in Y.H. Foundations with YH Foundations BVI (as purchaser), pursuant to which each of Mr. Jim and Mr. Chui agreed to transfer 442 shares of Y.H. Foundations to YH Foundations BVI at an aggregate nominal consideration of HK\$2.00 and such transfer was legally completed on the same date. As a result, Y.H. Foundations was owned as to 88.4% by YH Foundations BVI and 11.6% by Mr. Pang.



- (l) On 31 May 2015, Mr. Pang (as vendor) entered into a sale and purchase agreement relating to the sale and purchase of 116 ordinary shares in Y.H. Foundations with YH Foundations BVI (as purchaser), pursuant to which Mr. Pang agreed to transfer 116 shares of Y.H. Foundations to YH Foundations BVI at a total par value of HK\$116 and such transfer was legally completed on 1 June 2015. As a result, Y. H. Foundations became a wholly owned subsidiary of YH Foundations BVI.
- (m) On 13 August 2015, Mr. Jim and Mr. Chui (as vendors) entered into a sale and purchase agreement relating to the sale and purchase of 14,800,000 ordinary shares in Yee Hop Engineering with YH Engineering BVI (as purchaser), pursuant to which each of Mr. Jim and Mr. Chui agreed to transfer 7,400,000 shares of Yee Hop Engineering to YH Engineering BVI at an aggregate nominal consideration of HK\$2.00 and such transfer was legally completed on the same date. As a result, Yee Hop Engineering became a wholly owned subsidiary of YH Engineering BVI.
- (n) On 14 August 2015, our Company and YH Assets entered into the sale and purchase agreement relating to the entire issued share capital of YH Investment, pursuant to which YH Assets transferred 1,000 shares of YH Investments, which represented the entire issued share capital of YH Investments, to our Company in consideration of our Company allotting and issuing 99 Shares, all credited as fully paid up in the capital of our Company, to YH Assets. The said transfer and allotment of shares were legally completed on the same date. As a result, YH Investments became a wholly owned subsidiary of our Company.

## 6. Repurchase by our Company of our own securities

This paragraph contains information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

- (a) ***The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.***

- (i) *Shareholders' approval*

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

*Note:* Pursuant to the written resolutions of the sole Shareholder passed on 25 November 2015, the Repurchase Mandate was given to our Directors authorising our Directors to exercise all powers of our Company to purchase the Shares as described above in the paragraph headed "Written resolutions of the sole Shareholder" in this Appendix to this prospectus.

*(ii) Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. Our Company may not repurchase our own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time the Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

*(iii) Connected parties*

The Listing Rules prohibit our Company from knowingly repurchasing the Shares on the Stock Exchange from a "connected person", which includes a Director, chief executive or substantial Shareholder of our Company or any of the subsidiaries or an associate of any of them and a connected person shall not knowingly sell Shares to our Company.

*(b) Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and the Shareholders for the Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and Shareholders.

*(c) Exercise of the Repurchase Mandate*

Exercise in full of the Repurchase Mandate, on the basis of 500,000,000 Shares in issue after completion of the Capitalisation Issue and the Share Offer (taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Adjustment Options and any options which may be granted under the Share Option Scheme), could accordingly result in up to 50,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

*(d) Funding of repurchase*

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

*(e) General*

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules), has any present intention if the Repurchase Mandate is exercised to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No connected person (as defined in the Listing Rules) of our Company has notified us that he has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

## **B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP**

### **1. Summary of material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of our Group within the two years immediately preceding the date of this prospectus and are or may be material in relation to the business of our Company taken as a whole:

- (a) the deed of assignment dated 14 November 2014 entered into between Mr. Wong Kam Hung, Mr. Chui and Y.H. Foundations pursuant to which Mr. Wong Kam Hung assigned his shareholder's loan in the sum of HK\$1,000,000 to Mr. Chui at the consideration of HK\$1,000,000;

- (b) the subscription agreement relating to 1,465,200,000 ordinary shares in Yee Hop Engineering dated 26 March 2015 entered into between Yee Hop Engineering and YH Engineering BVI, pursuant to which Yee Hop Engineering allotted and issued 1,465,200,000 new shares of Yee Hop Engineering to YH Engineering BVI at the total subscription price of HK\$1.00;
- (c) the sale and purchase agreement relating to the sale and purchase of 1,000 ordinary shares in Yee Hop Construction dated 26 March 2015 entered into between Mr. Jim and Mr. Chui (as vendors) and YH Construction BVI (as purchaser), pursuant to which Mr. Jim and Mr. Chui agreed to transfer respectively 600 shares and 400 shares of Yee Hop Construction to YH Construction BVI at the total consideration of HK\$2.00;
- (d) the sale and purchase agreement relating to the sale and purchase of 884 ordinary shares in Y.H. Foundations dated 26 March 2015 entered into between Mr. Jim and Mr. Chui (as vendors) and YH Foundations BVI (as purchaser), pursuant to which each of Mr. Jim and Mr. Chui agreed to transfer 442 shares of Y.H. Foundations to YH Foundations BVI at the total consideration of HK\$2.00;
- (e) the sale and purchase agreement relating to the sale and purchase of 116 ordinary shares in Y.H. Foundations dated 31 May 2015 entered into between Mr. Pang (as vendor) and YH Foundations BVI (as purchaser), pursuant to which Mr. Pang agreed to transfer 116 shares of Y.H. Foundations to YH Foundations BVI at the total consideration of HK\$116;
- (f) the sale and purchase agreement relating to the sale and purchase of 14,800,000 ordinary shares in Yee Hop Engineering dated 13 August 2015 entered into between Mr. Jim and Mr. Chui (as vendors) and YH Engineering BVI (as purchaser), pursuant to which each of Mr. Jim and Mr. Chui agreed to transfer 7,400,000 shares of Yee Hop Engineering to YH Engineering BVI at the total consideration of HK\$2.00;
- (g) the sale and purchase agreement relating to the entire issued share capital of YH Investments dated 14 August 2015 entered into between YH Assets and our Company, pursuant to which YH Assets agreed to transfer 1,000 shares of YH Investments to our Company in consideration of our Company allotting and issuing 99 Shares, all credited as fully paid up in the capital of our Company, to YH Assets;
- (h) the Deed of Non-competition;
- (i) the Deed of Indemnity; and
- (j) the Public Offer Underwriting Agreement.

## C. INTELLECTUAL PROPERTY RIGHTS OF OUR GROUP

### 1. Trademarks

- (a) As at the Latest Practicable Date, our Group had registered the following trademarks in Hong Kong which we believe are material to our business:

Trademark	Registered owner	Date of registration	Expiry date	Place of registration	Registration number	Class (Note)
 	Yee Hop Engineering	12 December 2014	11 December 2024	Hong Kong	303233565	35, 37& 42
 	Yee Hop Engineering	12 December 2014	11 December 2024	Hong Kong	303233574	35, 37& 42

*Note:*

Class 35 — demographic consultation and research services; project management services in the fields of architecture, interior design, urban planning; engineering.

Class 37 — building construction supervision; building site formation and foundation work services; building construction services; building maintenance and repair; building reinforcement services; building restoration; construction and construction management of tunnels and underground structures; construction and construction management of residential, commercial and industrial buildings; construction and renovation of buildings; construction consultancy services; construction management services; construction planning and construction supervision services; consultation in building construction supervision; road construction; street construction; steel structure constructions works; pipeline construction services; technical consultation in the field of building materials of cement materials, stone materials, asphalts and aggregates.

Class 42 — architectural and engineering services; civil engineering services; construction drafting services; construction grading services; consultation in the field of structural engineering; design in the field of engineering; design of tunnels and underground structures; engineering services for building and property condition assessment; buildings monitoring and environmental risk consultation services; land surveying services; providing quality assurance services in the field of engineering; structural engineering design services; survey design and research services; technical survey services.

### 2. Domain name

As at the Latest Practicable Date, our Group had registered the following domain name which we believe to be material to our business:

Domain Name	Registrant	Registration Date	Expiry Date
yee-hop.com.hk	Yee Hop Engineering	6 October 2004	8 October 2017

**D. DISCLOSURE OF INTERESTS****1. Interests and short positions of our Directors and chief executive in the Shares, underlying Shares and debentures of our Company and its associated corporations**

Immediately following completion of the Share Offer and the Capitalisation Issue, taking no account of the Shares which may be allotted and issued pursuant to the exercise of the Adjustment Options and 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 the Shares, underlying Shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which 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 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 as referred to therein, or will be required, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange, will be as follows:

**(a) Long position in Shares**

<b>Name of Director</b>	<b>Capacity/nature of interest</b>	<b>Number of Shares</b>	<b>Approximate percentage of shareholding interests of our Company</b>
Mr. Jim	Interest in a controlled corporation ( <i>Note 1</i> )	375,000,000 Shares	75%
Mr. Chui	Interest in a controlled corporation ( <i>Note 2</i> )	375,000,000 Shares	75%

*Notes:*

1. YH Assets is beneficially owned as to 51% by JJ1318 which is in turn 100% beneficially owned by Mr. Jim. Accordingly, Mr. Jim is deemed to be interested in the Shares held by YH Assets under the SFO.
2. YH Assets is beneficially owned as to 49% by MM1318 which is in turn 100% beneficially owned by Mr. Chui. Accordingly, Mr. Chui is deemed to be interested in the Shares held by YH Assets under the SFO.

*(b) Long position in YH Assets, an associated corporation of our Company*

Name of Director	Capacity/ nature of Interest	Percentage of the issued share capital of YH Assets
Mr. Jim	Beneficial owner ( <i>Note 1</i> )	51%
Mr. Chiu	Beneficial owner ( <i>Note 2</i> )	49%

*Notes:*

1. YH Assets is beneficially owned as to 51% by JJ1318 which is in turn 100% beneficially owned by Mr. Jim. Accordingly, Mr. Jim is deemed to be interested in the Shares held by YH Assets under the SFO.
2. YH Assets is beneficially owned as to 49% by MM1318 which is in turn 100% beneficially owned by Mr. Chui. Accordingly, Mr. Chui is deemed to be interested in the Shares held by YH Assets under the SFO.

## 2. Interests and short positions of Substantial Shareholders in the Shares, and underlying Shares of our Company

So far as it is known to our Directors and save as disclosed in this prospectus, immediately following completion of the Share Offer and the Capitalisation Issue, and taking no account of any Shares to be allotted and issued pursuant to the exercise of the Adjustment Options and any options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will have interests or short positions in the 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:

*Long position in Shares*

Name	Capacity/ nature of interest	Number of Shares	Approximate percentage of shareholding interests of our Company
YH Assets ( <i>Note</i> )	Beneficial owner	375,000,000	75%
JJ1318 ( <i>Note</i> )	Interest in a controlled corporation	375,000,000	75%
MM1318 ( <i>Note</i> )	Interest in a controlled corporation	375,000,000	75%

*Note:* YH Assets is beneficially owned as to 51% by JJ1318 and 49% by MM1318. Accordingly, each of JJ1318 and MM1318 is deemed to be interested in the Shares held by YH Assets under the SFO.

### 3. Particulars of service contracts

Each of the executive Directors has entered into a service agreement with our Company. The terms and conditions of each of such service agreements are similar in all material aspects and are briefly described as follows:

- (a) Each service agreement is for an initial fixed term of three years commencing from the Listing Date and shall continue thereafter until it is terminated by the executive Director by giving to our Company not less than three months' notice in writing at any time after such initial fixed term save and except for Mr. Leung Hung Kwong Derrick who is required to give our Company not less than six months' notice in writing at any time after such initial fixed term or by our Company giving to the executive Director not less than three months' prior notice in writing at any time after the date of agreement.
- (b) The annual remuneration (including director's fee, basic salary, allowance, non-cash benefit and retirement scheme contribution) for the year ending 31 March 2016 payable to Mr. Jim, Mr. Chui, Mr. Yan Chi Tat and Mr. Leung Hung Kwong Derrick under their respective service agreements will be approximately HK\$2.8 million, HK\$2.2 million, HK\$1.6 million and HK\$1.6 million respectively.
- (c) Each of the executive Directors may be entitled to, if so recommended by our remuneration committee and approved by the Board at its absolute discretion, a discretionary bonus, the amount of which is determined with reference to the operating results of our Group and the performance of the executive Director.

Each of the independent non-executive Directors has entered into a service agreement with our Company under which each of them is appointed for a period of one year commencing from the Listing Date. The annual director's fee payable to each of Mr. Lee Luk Shiu, Mr. Yu Hon Kwan and Mr. Wong Chi Keung Johnny under their respective letter of appointment shall be HK\$240,000. Save for the annual director's fees mentioned above, none of the independent non-executive Directors is expected to receive any other remuneration for holding his office as an independent non-executive Director.

Save as disclosed above, none of our Directors has or is proposed to have any service agreement with our Company or any of its subsidiaries (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

### 4. Remuneration of Directors

During the Track Record Period, our Directors confirmed that our Group's remuneration policy for our Directors and senior management members of the subsidiaries were based on their experience, level of responsibility and general market conditions. Any discretionary bonus was linked to the business performance of our Group and the individual performance of such Directors and senior management



members. Our Company intends to adopt the same remuneration policy after the Listing, subject to the review by and the recommendations of our remuneration committee.

For each of the three years ended 31 March 2013, 2014, 2015 and the four months ended 31 July 2015, the aggregate amount of fees, salaries, allowances, discretionary payments, bonuses and contribution to pension schemes paid by our Company to the Directors were approximately HK\$3.3 million, HK\$4.6 million, HK\$6.8 million and HK\$2.0 million, respectively.

Further information in respect of our Directors' emoluments is set out in Appendix I to this prospectus. It is expected that the aggregate emoluments (excluding payment pursuant to any discretionary bonus or granting of share options) payable by our Group to our Directors (including the independent non-executive Directors) for the year ending 31 March 2016 will be approximately HK\$8.9 million. For the year ending 31 March 2016, there will be no material increment in the remuneration of our executive Directors (excluding payment pursuant to any discretionary bonus or granting of share options) as compared to 31 March 2015.

Save as disclosed in Appendix I to this prospectus, none of our Directors received any remuneration or benefits in kind from our Group during the Track Record Period.

## 5. Disclaimers

Save as disclosed in this prospectus:

- (a) so far as our Directors are aware, none of our Directors or chief executive has any interest or short position in the shares, underlying shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) immediately following the completion of the Share Offer and assuming that the Adjustment Options and the options which may be granted under the Share Option Scheme are not exercised, which will have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he will be taken or deemed to have under the SFO) once the Shares are listed, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein once the Shares are listed, or which will be required, pursuant to the Listing Rules relating to securities transactions by our Directors to be notified to our Company and the Stock Exchange, once the Shares are listed;
- (b) so far as our Directors are aware, none of our Directors and experts referred to under the heading "Qualifications of experts" of this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors and experts referred to under the heading "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;

- (d) none of our Directors has any existing or proposed service contracts with any member of our Group, excluding contracts which are determinable by the employer within one year without payment of compensation other than statutory compensation;
- (e) taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Adjustment Options and any options which may be granted under the Share Option Scheme, our Directors are not aware of any person, not being a Director of our Company, who will, immediately following completion of the Share Offer and the Capitalisation Issue, be interested in or has short positions in the Shares or underlying shares of our Company which have to be notified to our Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO once the Shares are listed, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (f) none of the experts referred to under the heading “Qualifications of experts” of this Appendix has any shareholding in any member of our Group or the right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (g) none of our Directors, their associates or any shareholder of our Company (which to the knowledge of our Directors owns more than 5% of our Company’s issued share capital) has any interest in our Group’s five largest suppliers and five largest clients.

## **6. Agency fees or commissions received**

Information on the agency fees or commissions received by the Underwriters is set out in section headed “Underwriting” in this prospectus.

Save as disclosed herein and in the section headed “Directors, senior management and employees” and the Accountants’ Report set out in Appendix I to this prospectus, none of the Directors, or the experts named in the paragraph headed “Qualifications of experts” in this Appendix had received any agency fee, commissions, discounts, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group from our Group within the two years immediately preceding the date of this prospectus.

## **7. Related party transactions**

For details of the related party transactions of our Group entered into within two years immediately preceding the date of this prospectus, please refer to the Accountants’ Report set out in Appendix I to this prospectus and the section headed “Connected transactions” in this prospectus.

## E. SHARE OPTION SCHEME

The principal terms of the Share Option Scheme conditionally adopted under the written resolutions of the sole Shareholder of our Company passed on 25 November 2015 are set out below:

### 1. Purpose of the Share Option Scheme

The Share Option Scheme is an incentive scheme established to recognise and motivate the contributions that Eligible Participants (as defined below) have made or may make to our Group.

The Share Option Scheme will provide the Eligible Participants with an opportunity to acquire proprietary interests in our Company with the view to achieve the following principal objectives:

- (a) motivate the Eligible Participants to optimise their performance and efficiency for the benefit of our Group; and
- (b) attract and retain or otherwise maintain ongoing business relationship with the Eligible Participants whose contributions are, will or expected to be beneficial to our Group.

For the purpose of the Share Option Scheme, “Eligible Participants” means any person who satisfies the eligibility criteria in paragraph 2 below.

### 2. Who may join and basis of eligibility

The Board may at its discretion grant options to:

- (i) any Eligible Employees. “**Eligible Employees**” means any employee (whether full time or part time, including any executive director but excluding any non-executive director) of our Company, any subsidiary or any entity in which our Group holds at least 20% of its issued share capital (“**Invested Entity**”);
- (ii) any non-executive director (including independent non-executive directors) of our Company, any subsidiary or any Invested Entity;
- (iii) any supplier of goods or services of any member of our Group or any Invested Entity;
- (iv) any customer of any member of our Group or any Invested Entity;
- (v) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;
- (vi) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;

- (vii) any advisor (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity; and
- (viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group,

and, for the purposes of the Share Option Scheme, options may be granted to any company wholly owned by one or more Eligible Participants.

The basis of eligibility of any participant to be granted any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

### **3. Subscription Price of Shares**

The exercise price for any Share under the Share Option Scheme shall be a price determined by the Board and shall not be less than the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the offer date of the relevant option, which must be a day on which the Stock Exchange is open for the business of dealing in securities (a "**Trading Day**"); (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Trading Days immediately preceding the offer date of the relevant option; and (iii) the nominal value of a Share on the offer date. For the purpose of calculating the exercise price where our Company has been listed for less than five Trading Days, the Offer Price of the Shares shall be used as the closing price of the Shares for any Trading Days falling within the period before the Listing Date.

### **4. Grant of options and acceptance of offers**

An offer for the grant of options shall be deemed to have been accepted when our Company receives the letter containing the offer duly signed by the grantee together with a remittance of HK\$1.00 (or such other nominal sum in any currency as the Board may determine) in favour of our Company as consideration for the grant thereof within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such remittance shall in no circumstances be refundable. Once accepted, the option is granted as from the date on which it was offered to the relevant Eligible Participant.

### **5. Maximum number of Shares**

- (i) Subject to sub-paragraphs (ii) to (iv) below, the maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other schemes shall not, in aggregate, exceed 10% of the Shares in issue as at the Listing Date (i.e. 50,000,000 Shares) (the "**Scheme Mandate Limit**") unless approved by our Shareholders pursuant to sub-paragraph (iii) below. Options lapsed in accordance with the terms of the scheme(s) will not be counted for the purpose of calculating the Scheme Mandate Limit.

- (ii) Subject to sub-paragraphs (iii) and (iv) below, the Scheme Mandate Limit may be renewed by the shareholders of our Company in general meeting from time to time provided always that the Scheme Mandate Limit so renewed must not exceed 10% of the Shares in issue as at the date of approval of such renewal by our Shareholders. Upon such renewal, all options granted under the Share Option Scheme and any other share option schemes of our Company (including those exercised, outstanding, cancelled, lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) prior to the approval of such renewal shall not be counted for the purpose of calculating the Scheme Mandate Limit as renewed. A circular must be sent to our Shareholders containing such relevant information from time to time as required by the Listing Rules in connection with the general meeting at which their approval is sought.
- (iii) Subject to sub-paragraphs (iv) below, the Board may seek separate shareholders' approval in general meeting to grant options beyond the Scheme Mandate Limit provided that the options in excess of the Scheme Mandate Limit are granted only to the Eligible Participants specifically identified by our Company before such approval is sought and our Company must issue a circular to our Shareholders containing such relevant information from time to time as required by the Listing Rules in relation to any such proposed grant to such Eligible Participants.
- (iv) The maximum number of Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes adopted by our Group must not, in aggregate, exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes adopted by our Group if such grant will result in the said 30% limit being exceeded.

## **6. Maximum entitlement of each participant**

No option shall be granted to any Eligible Participant which, if exercised in full would result in the total number of the Shares issued and to be issued upon exercise of the options already granted or to be granted to such Eligible Participant under the Share Option Scheme (including exercised, cancelled and outstanding share options) in any 12-month period up to and including the date of such grant exceeding 1% in aggregate of the Shares in issue as at the date of such grant. Any grant of further options above this limit shall be subject to the following requirements:

- (i) approval of our Shareholders at general meeting, with such Eligible Participant and its associates abstaining from voting;
- (ii) a circular in relation to the proposal for such further grant must be sent by our Company to our Shareholders with such information from time to time as required by the Listing Rules;

- (iii) the number and terms of the options to be granted to such proposed grantee shall be fixed before our Shareholders' approval mentioned in (i) above; and
- (iv) for the purpose of calculating the minimum exercise price for the Shares in respect of the further options proposed to be so granted, the date of board meeting for proposing such grant of further options shall be taken as the date of offer of such options.

#### **7. Requirements on granting options to certain connected persons**

Any grant of options to any director, chief executive or substantial shareholder of our Company, or any of their respective associates, must be approved by the independent non-executive Directors (excluding an independent non-executive director who or whose associate is a proposed grantee of an option).

Where any grant of options to a substantial Shareholder or an independent non-executive Director or any of their respective associates would result in the total number of the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the total number of Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares at the date of such grant, in excess of HK\$5 million,

such further grant of options must be approved by our Shareholders by poll in a general meeting where all connected persons of our Company must abstain from voting in favour at such general meeting. Our Company will send a circular to our Shareholders containing the information required under the Listing Rules.

#### **8. Restrictions on the time of grant of options**

No option shall be granted after inside information has come to the knowledge of our Company until our Company has announced the information. In particular, it may not grant any option during the period commencing one month immediately before the earlier of (i) the date of the Board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for approving our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for our Company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement. No option may be granted during any period of delay in publishing a results announcement. "Inside information" has the meaning defined in the SFO.

The Board may not make any offer to an Eligible Participant who is a Director during the periods or times in which the Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

**9. Time of exercise of option**

An option may (and may only) be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed 10 years from the offer date subject to the provisions of early termination thereof, and provided that the Board may determine the minimum period for which an option has to be held or other restrictions before its exercise.

The grantee shall not exercise an option to the extent that the public float of our Company will be less than 25% (or such higher percentage as required by the Stock Exchange or the Listing Rules) of the issued share capital of our Company immediately after the allotment and issue of the Shares upon such exercise of the option.

**10. Performance targets**

Save as determined by the Board and provided in the offer of grant of the options, there is no performance target that must be achieved before the options can be exercised.

**11. Ranking of Shares**

The Shares to be allotted and issued upon exercise of an option shall be subject to all the provisions of the Articles of our Company for the time being in force and shall rank pari passu in all respects with the then existing fully paid Shares in issue on the allotment date and accordingly shall entitle the holders to participate in all dividends or other distributions paid or made on or after the allotment date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the allotment date. Any Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been duly entered into the register of members of our Company as the holder thereof.

**12. Rights are personal to grantee**

An option shall be personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any option or enter into any agreement so to do.

**13. Rights on cessation of employment**

- (i) In the event of death of the grantee (being an individual) before exercising the option in full, his personal representatives may exercise the option up to the grantee's entitlement (to the extent exercisable as at the date of his death and not already exercised) within a period of 12 months following his death or such longer period as the Board may determine.
- (ii) In the event of the grantee who is an Eligible Employee ceasing to be an Eligible Employee for any reason other than his death, or the termination of his employment pursuant to paragraph 18(v), the grantee may exercise the option (to the extent exercisable as at the date of such cessation and not already

exercised) within 30 days following such cessation or such longer period as the Board may determine. The date of cessation as aforesaid shall be the last day on which the grantee was actually at work with our Company or the relevant Subsidiary or the Invested Entity whether salary is paid in lieu of notice or not, or such longer period as our Directors may determine.

#### **14. Effects of alterations to share capital**

In the event of any alteration in the capital structure of our Company while an option remains exercisable or the Share Option Scheme remains in effect, whether by way of capitalisation of profits or reserves, rights issue, consolidation, reclassification, subdivision or reduction of capital of our Company, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares to which the Share Option Scheme or any option(s) relate so far as unexercised; and/or the exercise price; and/or the method of exercise of the options; and/or the maximum number of Shares subject to the Share Option Scheme.

Any adjustments required under this paragraph must be made in compliance with the Listing Rules, give a grantee the same proportion of the equity capital as that to which that grantee was previously entitled and shall be made on the basis that the aggregate exercise price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event, but no such adjustments may be made to the extent that Shares would be issued at less than nominal value provided that in such circumstance, the exercise price shall be reduced to the nominal value. For the avoidance of doubt, the issue of securities as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In respect of any such adjustments, other than any made on a capitalisation issue, the independent financial advisor of our Company or the auditors of our Company must confirm to the Board in writing that the adjustments satisfy the requirements of the relevant provisions of the Listing Rules.

#### **15. Rights on a general offer**

If a general or partial offer (whether by way of takeover offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror), our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer becomes or is declared unconditional, the grantee shall be entitled to exercise the option (to the extent exercisable as at the date on which the offer becomes or is declared unconditional and not already exercised) in full or in part at any time within 14 days after the date on which the offer becomes or is declared unconditional.

#### **16. Rights on winding-up**

In the event notice is given by our Company to our Shareholders to convene a shareholders' meeting for the purpose of considering and, if thought fit, approving a



resolution to voluntarily wind up our Company, our Company shall forthwith give notice thereof to the grantee and the grantee shall be entitled to exercise all or any of his/her options (to the extent exercisable as at the date of the notice of meeting and not already exercised) at any time not later than two Trading Days (excluding any period(s) of closure of our Company's share registers) prior to the proposed meeting of our Company to consider the winding-up and our Company shall, as soon as possible and in any event no later than the Trading Day (excluding any period(s) of closure of our Company's share registers) immediately prior to the date of the proposed shareholders' meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise.

#### **17. Rights on compromise or arrangement**

In the event of a compromise or arrangement between our Company and its members or creditors being proposed in connection with a scheme for the restructuring, reconstruction or amalgamation of our Company, our Company shall give notice thereof to all grantees on the same date as it gives notice of the meeting to its members or creditors to consider such a scheme, and thereupon the grantee shall be entitled to exercise all or any of his/her option(s) (to the extent which has become exercisable as at the date of the notice and not already exercised) at any time not later than two Trading Days (excluding any period(s) of closure of our Company's share registers) prior to the proposed meeting and our Company shall, as soon as possible and in any event no later than the Trading Day (excluding any period(s) of closure of our Company's share registers) immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise.

#### **18. Lapse of options**

An option (to the extent not already exercised) shall automatically lapse and not be exercisable on the earliest of:

- (i) the expiry of the option period;
- (ii) the expiry of any of the periods referred to in paragraph 13 above;
- (iii) subject to paragraph 16 above, the date of the commencement of the winding-up of our Company;
- (iv) the expiry of the period referred to in paragraph 17 above;
- (v) the date on which the grantee who is an Eligible Employee ceases to be an Eligible Employee by reason of summary dismissal or being dismissed for misconduct or other breach of the terms of his employment contract or other contract constituting him an Eligible Employee, or the date on which he begins to appear to be unable to pay or has no reasonable prospect of being able to pay his debts or has become insolvent or has made any arrangements or composition with his or her creditors generally or on which he has been convicted of any criminal offence involving his or her integrity or honesty, unless otherwise resolved to the contrary by the Board;
- (vi) in respect of a grantee other than an Eligible Employee, the date on which the Board shall determine that (i) (a) such grantee has committed any breach of any

contract entered into between such grantee on one part and our Group or any Invested Entity on the other part; or (b) such grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (c) such grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by any other reason whatsoever; and (ii) the option shall lapse as a result of any event specified in subparagraph (i) (a), (b) or (c) above, unless otherwise resolved to the contrary by the Board;

- (vii) the expiry of the period referred to in paragraph 15 above; and
- (viii) the date on which the grantee commits a breach of paragraph 12 or any terms or conditions attached to the grant of the option or an event, in respect to a grantee, referred to in (2) below occurs, unless otherwise resolved to the contrary by the Board.

If the grantee is a company wholly owned by one or more Eligible Participants:

- (1) the provisions of paragraphs 13(i) and (ii), 18(v) and (vi) shall apply to the grantee and to the options granted to such grantee, mutatis mutandis, as if such options had been granted to the relevant Eligible Participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in paragraphs 13(i) and (ii), 18(v) and (vi) shall occur with respect to the relevant Eligible Participant; and
- (2) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant Eligible Participant,

provided that the Board may decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

#### **19. Cancellation of options granted but not yet exercised**

The Board shall have the absolute discretion to cancel any options granted at any time if the grantee so agreed provided that where an option is cancelled and a new option is proposed to be issued to the same grantee, the issue of such new option may only be made with available but unissued options (excluding the cancelled options) within the limit approved by our Shareholders as mentioned in the Share Option Scheme from time to time.

#### **20. Period of the Share Option Scheme**

Subject to the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years after the adoption date, after which no further options may be issued. Subject to the above, in all other respects, in particular, in respect of Options remaining outstanding, the provisions of the Share Option Scheme shall remain in full force and effect.

The Board may impose such terms and conditions of the offer of grant either on a case-by-case basis or generally as are not inconsistent with the Share Option Scheme including but not limited to the minimum period for which an option must be held before it can be exercised.

## **21. Alteration to the Share Option Scheme**

The Share Option Scheme may be altered in any respect by resolution of the Board except that the terms and conditions of the Share Option Scheme relating to matters set out in Rule 17.03 of the Listing Rules (or any other relevant provisions of the Listing Rules from time to time applicable) cannot be altered to the advantage of grantees or prospective grantees except with the prior approval of our Shareholders in general meeting. No such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alterations except with the consent or sanction of such majority of the grantee as would be required of our Shareholders under the Articles for the time being of our Company for a variation of the rights attached to Shares.

Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by our Shareholders in general meeting, except where such alterations take effect automatically under the existing terms of the Share Option Scheme.

Any change to the authority of our Directors or administrators of the Share Option Scheme in relation to any alterations to the terms of the Share Option Scheme must be approved by our Shareholders in general meeting.

The amended terms of the Share Option Scheme and/or the options must continue to comply with the relevant provisions of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time (including the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to Share Option Scheme).

Subject to the above paragraphs, the Board may at any time alter, amend or modify the terms and conditions of the Share Option Scheme such that the provisions of the Share Option Scheme would comply with all relevant legal and regulatory requirements in all relevant jurisdictions to the extent as considered necessary by the Board to implement the terms of the Share Option Scheme.

## **22. Termination to the Share Option Scheme**

Our Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event, no further options will be offered but the provisions of the Share Option Scheme shall remain in force in all other respects.

Options complying with the provisions of the Listing Rules which are granted during the life of the Share Option Scheme and remain unexpired immediately prior to the termination of the operation of the Share Option Scheme shall continue to be valid and exercisable in accordance with their terms of issue after the termination of the Share Option Scheme.

### 23. Conditions of the Share Option Scheme

The Share Option Scheme is conditional upon (i) the Stock Exchange granting the approval of the listing of and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Capitalisation Issue, the Share Offer and any Shares which may fall to be issued pursuant to the exercise of the Adjustment Options and any options under the Share Option Scheme in respect of up to 10% of the Shares in issue as at the Listing Date; (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise; and (iii) the commencement of dealings in the Shares on the Stock Exchange.

As at the Latest Practicable Date, no option had been granted by our Company under the Share Option Scheme. An application has been made to the Listing Committee of the Stock Exchange for the approval of the listing of, and permission to deal in the Shares to be issued and allotted by our Company pursuant to the exercise of options that may be granted under the Share Option Scheme in respect of up to 10% of the Shares in issue as at the Listing Date.

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

## F. OTHER INFORMATION

### 1. Tax and other indemnities

YH Assets, JJ1318, Mr. Jim, MM1318 and Mr. Chui (the “**Indemnifiers**”) have, entered into a Deed of Indemnity in favour of our Company (on its own behalf and as trustee for each member of our Group) pursuant to which the Indemnifiers have agreed to jointly and severally indemnify each of the members of our Group against, inter alia, the following:

- (a) the amount of any and all taxation which might fall on any of the members of our Group resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into on or before the date on which the Share Offer becomes unconditional; and

- (b) any actions, claims, losses, payments, charges, settlement payments, costs, penalties, damages or expenses incurred or suffered by the members of our Group or any of them arising from or in connection with:
  - (i) the failure of the landlords named in the tenancy agreements in respect of the parcel of lands in San Tin and Sheung Shui to provide our Group with the relevant written power of attorney to evidence that they were authorised to enter into the tenancy agreements in respect of two leased properties in San Tin and Sheung Shui;
  - (ii) the failure of the landlords of two leased properties in Sai Wan and San Po Kong to obtain the mortgagees' consent for the grant of the relevant tenancy; and
  - (iii) any litigation, proceeding, claim, investigation, inquiry, enforcement proceeding or process by any governmental, administrative or regulatory body,

on or before the Listing Date.

The Indemnifiers will, however, not be liable under the Deed of Indemnity to the extent that, among others:

- (a) provision, reserve or allowance has been made for such taxation liability in the audited accounts of our Company or any member of our Group for each of the three years ended 31 March 2013, 2014, 2015 and the four months ended 31 July 2015; or
- (b) the taxation or liability falling on any member of our Group on or after the Listing Date except liability or claim for such taxation which would not have arisen but for any act or omission of, or transaction voluntarily effected by our Company or any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers other than any such act, omission or transaction:
  - (i) carried out or in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before the Listing Date; or
  - (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the Listing Date; or
  - (iii) consisting of any of the members of our Group ceasing, or being deemed to cease, to be a member of our Group for the purposes of any matter of taxation on or before the Listing Date; or
- (c) any provisions or reserve made for taxation, taxation claim or liability in the audited accounts of our Company or any member of our Group for each of the three years ended 31 March 2013, 2014, 2015 and the four months ended 31

July 2015 which is finally established to be an over-provision or an excessive reserve, then the indemnifiers' liability (if any) in respect of such taxation, taxation claim or liability shall be reduced by an amount not exceeding such over-provision or excessive reserve; or

- (d) the taxation liability arises in the ordinary course of business of our Group after the Listing Date; or
- (e) the taxation liability arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in law or practice coming into force after the date of this Deed of Indemnity or any retrospective increase in tax rates coming into force after the date of this Deed of Indemnity.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

## **2. Litigation**

As at the Latest Practicable Date, save as disclosed in this prospectus, to the best of our Directors' knowledge, there is no current litigation or any pending or threatened litigation or arbitration proceedings against any member of our Group that could have a material adverse effect on our Group's financial condition or results of operation.

## **3. Application for Listing of Shares**

The Sole Sponsor has made an application on behalf of our Company to the Stock Exchange for listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein and any Shares which may fall to be allotted and issued pursuant to the exercise of the Adjustment Options and options which may be granted under the Share Option Scheme on the Stock Exchange.

The fees of the Sole Sponsor are HK\$3,000,000 and are payable by our Company.

## **4. Preliminary expenses**

The preliminary expenses relating to the incorporation of our Company are approximately HK\$38,300 and are payable by our Company.

There is no annual cost of compliance with applicable rules and regulations during the Track Record Period.

## **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:

<b>Name</b>	<b>Qualification</b>
Ping An of China Capital (Hong Kong) Company Limited	Licensed corporation under the SFO to engage in type 6 (advising on corporate finance) regulated activity
SHINEWING (HK) CPA Limited	Certified Public Accountants
Appleby	Cayman Islands legal advisors
Ipsos Limited	Independent market research firm
Vigers Appraisal & Consulting Limited	Property valuer
Mr. Tsang Kwok Kei, David	A barrister-at-law in Hong Kong

**7. Consents of experts**

Each of the parties listed in the paragraph headed “Qualifications of experts” has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its letter, report, valuation certificate, opinion and/or references to its name (as the case may be), all of which are dated the date of this prospectus, in the form and context in which they respectively appear in this prospectus.

**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. Share Registrars**

The register of members of our Company will be maintained in the Cayman Islands by Appleby Trust (Cayman) Ltd. and a branch register of members of our Company will be maintained in Hong Kong 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.

**10. No material adverse change**

Our Directors confirm that there has been no material adverse change in our financial prospects of our Company or its subsidiaries since 31 July 2015 (being the date to which the latest audited financial statements of our Company were made up).

**11. Miscellaneous**

Save as disclosed herein:

- (a) within the two years immediately preceding the date of this prospectus:
  - (i) no share or loan capital of our Company or any of its subsidiaries has been issued, agree to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
  - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries;
  - (iii) no commission has been paid or payable (except to sub-underwriter) for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any Shares; and
  - (iv) no founder, management or deferred shares of our Company have been issued or agreed to be issued.
- (b) no share, warrant or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (c) all necessary arrangements have been made enabling the Shares to be admitted into CCASS;
- (d) our Directors confirm that none of them shall be required to hold any shares by way of qualification and none of them has any interest in the promotion of our Company;
- (e) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus; and
- (f) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought.

**12. Bilingual Prospectus**

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and the Chinese language version, the English language version shall prevail.



**1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents, copies of the **WHITE** and **YELLOW** and **GREEN** and **PINK** Application Forms, the written consents referred to under the paragraph headed “F. Other information — 6. Qualifications of experts” in Appendix IV to this prospectus, and certified copies of the material contracts referred to under the paragraph headed “B. Further information about the business of our Group — 1. Summary of material contracts” in Appendix IV to this prospectus.

**2. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of Hastings & Co. at 5th Floor, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the accountants’ report prepared by SHINEWING (HK) CPA Limited, in respect of the historical financial information for the years ended 31 March 2013, 2014 and 2015 and the four months ended 31 July 2015, the text of which is set out in Appendix I to this prospectus;
- (c) the report from SHINEWING (HK) CPA Limited on the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (d) the Companies Law;
- (e) the letter of advice prepared by Appleby summarising certain aspects of the Cayman Islands Company Law referred to in Appendix III to this prospectus;
- (f) the material contracts referred to in the paragraph headed “B. Further information about the business of our Group — 1. Summary of material contracts” in Appendix IV to this prospectus;
- (g) the written consents referred to in the paragraph headed “F. Other information — 6. Qualifications of experts” in Appendix IV to this prospectus;
- (h) the rules of the Share Option Scheme;
- (i) the service agreements of our Directors referred to in the paragraph headed “D. Disclosure of interests — 3. Particulars of service contracts” in Appendix IV to this prospectus;
- (j) the Ipsos Report;
- (k) the fair rent letter and valuation certificate issued by Vigers Appraisal & Consulting Limited; and
- (l) the legal opinion dated the date of prospectus and issued by Counsel.



**Yee Hop Holdings Limited**  
**義合控股有限公司**