

# AP RENTALS HOLDINGS LIMITED 亞積邦租賃控股有限公司\*

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1496



# GLOBAL OFFERING

**Sole Sponsor**



**Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers**



(\* For identification purpose only)

## IMPORTANT

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

# AP RENTALS HOLDINGS LIMITED

亞積邦租賃控股有限公司\*

(Incorporated in the Cayman Islands with limited liability)

## GLOBAL OFFERING

**Number of Offer Shares under the Global Offering** : 151,200,000 Shares (subject to the Over-allotment Option)  
**Number of Hong Kong Offer Shares** : 15,120,000 Shares (subject to adjustment and including 1,512,000 Employee Reserved Shares)  
**Number of International Offer Shares** : 136,080,000 Shares (subject to adjustment and the Over-allotment Option)  
**Maximum Offer Price** : HK\$0.75 per Offer Share (payable in full on application in Hong Kong dollars, subject to refund, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%)  
**Nominal Value** : HK\$0.001 per Share  
**Stock Code** : 1496

Sole Sponsor



**上銀國際有限公司**  
BOSC International Company Limited

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



**GREAT ROC**  
CAPITAL SECURITIES LIMITED  
鴻騰資本證券有限公司



**上銀國際有限公司**  
BOSC International Company Limited

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

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above. **Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.**

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves 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, 1 April 2016 and, in any event, not later than 12:00 noon on Wednesday, 6 April 2016. The Offer Price will be not more than HK\$0.75 and is currently expected to be not less than HK\$0.60 unless otherwise announced. Applicants for the Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK\$0.75 for each Share together with a brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% subject to refund if the Offer Price as finally determined should be lower than HK\$0.75.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus (which is HK\$0.60 to HK\$0.75 per Share) at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Offer Shares in the Global Offering and/or the indicative offer price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Company, the Global Offering (including the Hong Kong Public Offering) will lapse and will not proceed. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares" in this prospectus.

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

(\* For identification purpose only)

24 March 2016

## EXPECTED TIMETABLE

We will issue an announcement in Hong Kong to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) if there is any change in the following expected timetable of the Hong Kong Public Offering:

2016<sup>(1)</sup>

Latest time to lodge **PINK** Application Forms  
at our Company head office at Unit 15, 19/F,  
Concordia Plaza, 1 Science Museum Road,  
Tsim Sha Tsui East, Kowloon, Hong Kong . . . . . 12:00 noon on Wednesday, 30 March

Latest time to complete electronic applications under  
**White Form eIPO** service through the designated  
website ([www.eipo.com.hk](http://www.eipo.com.hk))<sup>(2)</sup> . . . . . 11:30 a.m. on Thursday, 31 March

Application lists open<sup>(3)</sup> . . . . . 11:45 a.m. on Thursday, 31 March

Latest time to: (1) lodge **WHITE** and **YELLOW** Application  
Forms; (2) complete payment of **White Form eIPO**  
applications by effecting internet banking transfer(s) or  
PPS payment transfer(s); and (3) give **electronic**  
**application instructions** to HKSCC<sup>(4)</sup> . . . . . 12:00 noon on Thursday, 31 March

Application lists close<sup>(3)</sup> . . . . . 12:00 noon on Thursday, 31 March

Expected Price Determination Date<sup>(5)</sup> . . . . . Friday, 1 April

Announcement of the final Offer Price, the level of  
indication of interest in the International Offering, the  
level of applications in the Hong Kong Public Offering  
and the Employee Preferential Offering  
and the basis of allocation of the Hong Kong Offer  
Shares and the Employee Reserved Shares  
to be published in the South China Morning Post  
(in English) and the Hong Kong Economic Times (in Chinese)  
and on our website ([www.aprentalshk.com](http://www.aprentalshk.com)) and  
the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk))  
on or before . . . . . Thursday, 7 April

Announcement of results of allocations under the Hong  
Kong Public Offering and the Employee Preferential Offering  
(with successful applicants' identification document numbers,  
where appropriate) to be available through a variety of channels  
including our website ([www.aprentalshk.com](http://www.aprentalshk.com)) and the  
Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)) (for further details,  
see "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares  
— 11. Publication of Results" in this prospectus) from . . . . . Thursday, 7 April

## EXPECTED TIMETABLE

2016<sup>(1)</sup>

Results of allocations in the Hong Kong Public Offering and the Employee Preferential Offering will be available at [www.iporesults.com.hk](http://www.iporesults.com.hk) with a “search by ID Number/Business Registration Number” function on a 24-hour basis from . . . . . Thursday, 7 April

Despatch/Collection of White Form e-Refund payment instructions/ refund cheques in respect of wholly or partially successful applications if the final Offer Price is less than the price payable on application (if applicable) and wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering or the Employee Preferential Offering on or before<sup>(6), (7)</sup> . . . . . Thursday, 7 April

Despatch/Collection of Share certificates on or before<sup>(6)</sup> . . . . . Thursday, 7 April

Dealings in the Shares on the Stock Exchange expected to commence on . . . . . 9:00 a.m. on Friday, 8 April

### Notes:

1. All times and dates refer to Hong Kong local time.
2. You will not be permitted to submit your application through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If there is a “**black**” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 31 March 2016, the application lists will not open on that day. For details, please see “How to Apply for Hong Kong Offer Shares and Employee Reserved Shares — 10. Effect of Bad Weather on the Opening of the Application Lists” in this prospectus.
4. Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to “How to Apply for Hong Kong Offer Shares and Employee Reserved Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC Via CCASS” in this prospectus.
5. The Price Determination Date is expected to be on or around Friday, 1 April 2016. If, for any reason, the Offer Price is not agreed by 12:00 noon on Wednesday, 6 April 2016 between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Global Offering will not proceed and will lapse accordingly.
6. **Share certificates for the Offer Shares are expected to be issued on or before Thursday, 7 April 2016 but will only become valid certificates of title at 8:00 a.m. on Friday, 8 April 2016 provided that: (a) the Global Offering has become unconditional in all respects; and (b) none of the Underwriting Agreements has been terminated in accordance with its terms.**
7. **Refund cheques/e-Refund payment instructions will be despatched in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the maximum Offer Price of HK\$0.75 per Offer Share.**



## EXPECTED TIMETABLE

For details of the structure of the Global Offering (including its conditions) and the procedures for applications for the Hong Kong Offer Shares and the Employee Reserved Shares, applicants should refer to the sections headed “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares and Employee Reserved Shares” in this prospectus, respectively.

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### IMPORTANT NOTICE TO INVESTORS

*This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. 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 in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions, and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.*

*You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Global Offering.*

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## SUMMARY

*This summary aims to give you an overview of the information contained in this prospectus. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole document 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 "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.*

### OVERVIEW

We are a leading equipment rental service company in Hong Kong with the capability of providing a wide range of construction, E&M engineering and Event and Entertainment equipment, equipment rental-related solutions and value-added services to our customers. Our rental fleet comprises our owned equipment fleet and equipment which we rent from our suppliers. We generate a substantial part of our rental income from rented equipment, representing 81.9%, 73.3%, 68.6% and 63.2% of our rental income for the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, respectively. In particular, we rent a significant part of our rental fleet from Kanamoto, our largest supplier during the Track Record Period. Hiring expenses for equipment we rented from Kanamoto represented over 90% of our total hiring expenses during the Track Record Period.

We were the third largest company in the construction equipment rental industry in Hong Kong and the largest in Macau (with market share of 3.4% and 4.2% in 2014, respectively, based on our rental income of HK\$127.3 million and MOP35.4 million<sup>(1)</sup>, according to the F&S Report). Given that the construction equipment rental and trading industries in Hong Kong and Macau are highly fragmented, competitive and has many market leaders, our market position can change very quickly. The top five leading players in the construction equipment rental market in Hong Kong and Macau, including our Group, accounted for only 20.6% and 14.3% of the total market revenue in 2014, respectively, according to the F&S Report.

We are one of the few companies which offer a wide range of equipment, high-quality comprehensive rental services and effective equipment rental-related solutions in Hong Kong and Macau; through which we distinguish ourselves as a leader in a large industry which includes companies serving various market segments with different categories of equipment, according to the F&S Report. Our rental equipment principally covers power and energy equipment, high-reach equipment and material handling equipment. We maintain a strong owned rental fleet of over 1,300 units of equipment as at the Latest Practicable Date, including diesel generators, air compressors, diesel welders, light towers, articulated boom lifts, diesel and electric forklifts, telehandlers and cranes, and we also rent equipment from our suppliers, principally from our Shareholder and strategic partner, Kanamoto, which is one of the leading construction equipment rental groups in Japan. We were the largest rental provider of power and energy equipment and the third largest rental provider of high reach equipment in Hong Kong (with market share of 12.1% and 4.0%, respectively, based on revenue in 2014, according to the F&S Report). In Macau, we were the second largest rental provider of energy and power equipment and the largest rental provider of high reach equipment (based on revenue in 2014, with market share of 6.6% and 16.5%, respectively), according to the F&S Report.

<sup>(1)</sup> They represent our rental income for the financial year ended 31 March 2015.

## SUMMARY

Under the leadership of our founders, Mr. Lau and Ms. Chan, each of whom has over 33 years of experience in the industry, we possess in-depth knowledge of the equipment rental market in Hong Kong and Macau, and have established strong and strategic relationships with our major suppliers and a large customer base. We have grown through different phases of the Hong Kong economy to become a major player in the equipment rental industry and have participated in numerous large landmark construction projects. These include some of the Ten Major Infrastructure Projects in Hong Kong (namely the South Island Line, Shatin to Central Link, Tuen Mun-Chek Lap Kok Link and Tuen Mun Western Bypass, Kai Tak Development Plan, Guangzhou-Shenzhen-Hong Kong Express Rail Link, Hong Kong-Zhuhai-Macau Bridge and West Kowloon Cultural District). We serve a diverse range of customers including leading construction, E&M engineering and Event and Entertainment companies in Hong Kong and Macau, and we have established stable and long-term relationship with our major customers.

We believe our principal strength is our capability to satisfy customers' different equipment service needs. For example, we provide equipment planning consultation; offer a wide range of equipment for rent; procure equipment from different suppliers for sale to customers who wish to purchase equipment, provide on-site services such as equipment installation, operation, refuelling and maintenance, disassembling, technical support, transportation services and supply spare parts; and provide sales channels for customers who wish to dispose of their used equipment. With our extensive experience and technical expertise, we are able to provide a range of equipment planning and execution services including job planning and advice on selection and utilisation of equipment, with an aim to achieve higher efficiency, save cost and reduce impact on the environmental.

We believe that our equipment rental-related solution provision capability, strong and well-maintained equipment fleet, operating and technical service support and well-established relationship with major suppliers and wide customer base provide us with a solid platform for our further expansion and long-term growth.

### OUR BUSINESS MODEL

We are principally engaged in the rental of equipment and provision of value-added rental services to customers. Our equipment may be rented to customers (i) on non-operated basis (without the provision of operators), (ii) on operated basis (where we provide our operators to operate the equipment), or (iii) with service basis (with inclusion of equipment planning, transportation, installation, operation, standby refuelling and maintenance, disassembling and other technical support services).<sup>(1)</sup>

Our rental fleet comprises our owned equipment fleet and equipment which we rent from our suppliers. We generate a substantial part of our rental income from rented equipment, representing 81.9%, 73.3%, 68.6% and 63.2% of our rental income for the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, respectively, and rely on rented equipment to a material extent. Our hiring expenses for renting equipment from our suppliers were HK\$58.5 million, HK\$67.1 million, HK\$65.2 million and HK\$32.2 million for the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, respectively, representing 55.0%, 43.0%, 41.0% and 40.2% of our cost of sales for the respective periods.

<sup>(1)</sup> Each of our equipment rental contracts may include operating service and/or other services, and may not be clearly and easily classified into one of the above categories.



## SUMMARY

In particular, we rent a significant part of our rental fleet from Kanamoto, our largest supplier during the Track Record Period. Hiring expenses for equipment we rented from Kanamoto was HK\$55.4 million, HK\$64.3 million, HK\$61.0 million and HK\$30.0 million for the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, respectively, representing 94.7%, 95.8%, 93.7% and 93.1% of our total hiring expenses for the respective periods.

We consider that, because of the large number of suppliers for construction equipment and our well-established connections with a number of such suppliers, in the event that the Kanamoto Cooperation Agreement that we entered into with Kanamoto is terminated, we will be able to purchase or rent the equipment we require from a number of alternative suppliers without any significant difficulty, but there may be material interruptions to our operations and business before we can secure supply and rental of equipment from other suppliers for the large quantity of equipment that we may need, and it may take time for us to negotiate purchase and rental terms with the other suppliers. Please see the section “Business — Supplies and Procurement — Kanamoto Cooperation Agreement — Termination” for details.

As part of our rental services, we supply spare equipment parts, and provide other equipment related services such as technical support and transportation service for equipment. As part of our fleet management and full service capability, we sell our used rental equipment to customers from time to time. With our established equipment sales channels, we trade new and used equipment to match the requirements of customers which helps broadening our customer base and streams of revenue.

Please see pages 104 to 107 for further information.

### **Our Suppliers and Customers**

We purchase equipment and spare parts and rent equipment from selected suppliers who we believe have strong reputations for product quality and reliability, including Kanamoto and international reputable equipment manufacturers. Our suppliers for equipment, machinery spare parts and ancillary products included major suppliers from Japan, the US and Europe. Kanamoto was our largest supplier during the Track Record Period, and we both rented and purchased equipment from Kanamoto. Please see the section “Business — Supplies and Procurement — Our Relationship with Kanamoto”.

We have a large and diversified customer base and we have established long-term relationships with numerous major local and international construction and E&M engineering companies engaged in public and private construction and E&M engineering projects in Hong Kong and Macau.

Please see pages 123 to 134 and pages 136 to 139 for further information.

## SUMMARY

### OUR COMPETITIVE STRENGTHS

We believe we possess the following competitive strengths:

- Ability to provide equipment rental-related solutions with value-added services
- Wide range of well-maintained rental equipment
- Effective and flexible fleet management and optimisation based on in-depth market research and experience
- Effective cash flow management to enhance return on capital and flexibility
- Professional operational and technical support for equipment services
- Well-established and strategic relationship with major suppliers
- Leading position in the equipment rental market in Hong Kong
- Experienced and dedicated management with proven track record

### OUR BUSINESS STRATEGIES

We believe in the strong growth prospect of the equipment rental industry and are determined to enhance our position as an industry leader and actively participate in future major infrastructure, mega-size construction and E&M engineering projects in Hong Kong and Macau. Building on our strengths, we strive to lead the industry with high-quality equipment, premium service and equipment solutions. Our strategies include:

- Expansion of our rental equipment fleet in terms of its size and range of equipment
  - (i) Purchasing additional units of power and energy equipment, high reach equipment and material handling equipment
  - (ii) Increasing the range of our equipment to include lifting equipment and other new and used equipment
- Continuing to actively manage our equipment fleet
- Installation of GPS equipment monitoring system
- Improving our equipment maintenance facilities
- Maintaining our focus on our employee training and service standards

Please see pages 101 to 104 for further information.

## SUMMARY

### USE OF PROCEEDS

Assuming an Offer Price of HK\$0.675 (being the mid-point of the indicative Offer Price range), we estimate that we will receive net proceeds of approximately HK\$70.2 million from the Global Offering after deducting the underwriting commissions and other estimated expenses in connection with the Global Offering if the Over-allotment Option is not exercised. We intend to use the net proceeds from the Global Offering for the following purposes:

- (i) approximately 71.2%, or HK\$50.0 million, will be used for investment in rental equipment;
- (ii) approximately 10.4%, or HK\$7.3 million, will be used for development of GPS equipment monitoring system;
- (iii) approximately 7.1% or HK\$5.0 million, will be used for investment in transportation equipment;
- (iv) approximately 4.3%, or HK\$3.0 million, will be used for improvement of facility for maintenance of our equipment; and
- (v) approximately 7.0%, or HK\$4.9 million, will be used for our general working capital.

Please see page 238 for further information.

### SUMMARY FINANCIAL INFORMATION AND OPERATING DATA

#### Key Income Statement Information

The following table summarises our audited consolidated results for the Track Record Period prepared on the basis set out in the audited financial statements as set out in the Accountants' Report of our Group contained in Appendix I to this prospectus:

	For the year ended 31 March			For the six months ended 30 September	
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
Revenue	159,751	217,949	228,225	110,928	121,437
Cost of sales and services	<u>(106,438)</u>	<u>(156,256)</u>	<u>(158,904)</u>	<u>(77,359)</u>	<u>(80,102)</u>
Gross profit	53,313	61,693	69,321	33,569	41,335
Other income	1,087	1,152	2,066	928	1,379
Other gains and losses	(446)	3,172	2,625	664	678
Administrative expenses	(11,359)	(18,091)	(21,427)	(9,270)	(11,527)
Listing expenses	—	—	—	—	(7,888)
Finance costs	<u>(331)</u>	<u>(385)</u>	<u>(1,113)</u>	<u>(473)</u>	<u>(580)</u>
Profit before taxation	42,264	47,541	51,472	25,418	23,397
Income tax expense	<u>(6,967)</u>	<u>(7,416)</u>	<u>(8,547)</u>	<u>(4,491)</u>	<u>(4,896)</u>
Profit and total comprehensive income for the year/period	<u><u>35,297</u></u>	<u><u>40,125</u></u>	<u><u>42,925</u></u>	<u><u>20,927</u></u>	<u><u>18,501</u></u>

## SUMMARY

### Key Balance Sheet Information

	As at 31 March			As at 30
	2013	2014	2015	September
	HK\$	HK\$	HK\$	2015 HK\$
Current assets	58,672,781	75,979,723	97,279,142	92,870,682
Current liabilities	40,007,009	76,522,253	108,848,561	115,661,592
Net current assets (liabilities)	18,665,772	(542,530)	(11,569,419)	(22,790,910)
Non-current assets	47,605,063	104,338,555	140,192,562	169,561,187
Non-current liabilities	8,485,068	16,151,834	18,054,152	17,700,353
Total Equity	57,785,767	87,644,191	110,568,991	129,069,924

During the Track Record Period, we purchased more equipment to expand our owned rental fleet which led to a significant increase in both our borrowings classified as current liabilities from HK\$2.3 million as at 31 March 2013 to HK\$27.2 million as at 30 September 2015, and the net book value of our property, plant and equipment from HK\$47.2 million as at 31 March 2013 to HK\$163.5 million as at 30 September 2015. As at 31 March 2014, 31 March 2015, 30 September 2015 and 31 January 2016, we recorded net current liabilities of HK\$0.5 million, HK\$11.6 million, HK\$22.8 million and HK\$31.7 million, respectively. This is mainly attributable to the purchase of our owned rental equipment which were mainly financed by current assets and current liabilities including cash, borrowings and finance lease. As the equipment purchased is classified as non-current assets, such purchases result in decrease in our net current assets position or increase in our net current liabilities position as the case may be. Furthermore, included in current liabilities were borrowings due for repayment after 1 year but within 5 years which contain repayable on demand clause and our Directors, having taken into account all information that could reasonably be expected to be available, consider that the relevant banks will not exercise their discretion to demand immediate repayment but will allow such borrowings to be repaid in accordance with the scheduled dates set out in the relevant agreements. After adjusting for the aforementioned borrowings, we would have adjusted net current assets of HK\$10.2 million and HK\$4.5 million as at 31 March 2014 and 31 March 2015, respectively. Although we would still have adjusted net current liabilities of HK\$11.5 million as at 30 September 2015, we had adjusted net current assets of HK\$5.2 million as at 31 January 2016. This is mainly because we are able to generate positive cash flow from our operations. We have been and will continue to be prudent in monitoring our working capital. Please see pages 219 to 232 for further information.

## SUMMARY

### Key Financial Ratios

The table below sets forth our key financial ratios for the years/period or as at the dates indicated:

	<b>2013</b>	<b>31 March 2014</b>	<b>2015</b>	<b>30 September 2015</b>
Return on equity	61.1%	45.8%	38.8%	28.7% <sup>Note</sup>
Return on total assets	33.2%	22.3%	18.1%	14.1% <sup>Note</sup>
Current ratio	1.47	0.99	0.89	0.80
Net debt to equity ratio	N/A	8.7%	1.8%	10.9%

*Note:* On an annualised basis

During the Track Record Period, we increased the purchases of our owned rental equipment and our total assets had increased accordingly. The net book value of our property, plant and equipment increased 3.5 times from HK\$47.2 million as at 31 March 2013 to HK\$163.5 million as at 30 September 2015 and our total assets increased 2.5 times from HK\$106.3 million as at 31 March 2013 to HK\$262.4 million as at 30 September 2015. Our net cash generated from operating activities also increased from HK\$42.9 million for the year ended 31 March 2013 to HK\$63.3 million for the year ended 31 March 2015. Due to the significant increase in total assets, our return on assets showed a downward trend. After adjusting for listing expenses of HK\$7.9 million for the six months ended 30 September 2015, our net profit for that period would be HK\$26.4 million. Based on such adjusted profit, our return on assets for the six months ended 30 September 2015 would be 20.1% (on an annual basis) which is similar to that for the year ended 31 March 2015.



## SUMMARY

### Key Operating Indicators

The following table shows a breakdown by our sales segments during the Track Record Period:

	For the year ended 31 March						For the six months ended 30 September			
	2013		2014		2015		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
<b>Rental Services</b>										
Rental income	119,422	74.8	143,657	65.9	161,660	70.9	78,895	71.1	88,364	72.8
Equipment operating service	16,405	10.3	19,295	8.9	16,926	7.4	9,240	8.4	9,824	8.1
Other services*	5,807	3.6	8,150	3.7	10,764	4.7	5,499	5.0	5,229	4.3
<b>Sub-total</b>	<b>141,634</b>	<b>88.7</b>	<b>171,102</b>	<b>78.5</b>	<b>189,350</b>	<b>83.0</b>	<b>93,634</b>	<b>84.4</b>	<b>103,417</b>	<b>85.2</b>
<b>Trading</b>										
Sales of machinery and spare parts	17,982	11.2	46,444	21.3	38,530	16.9	17,219	15.5	17,952	14.8
Other services**	135	0.1	403	0.2	345	0.1	75	0.1	68	0.0
<b>Sub-total</b>	<b>18,117</b>	<b>11.3</b>	<b>46,847</b>	<b>21.5</b>	<b>38,875</b>	<b>17.0</b>	<b>17,294</b>	<b>15.6</b>	<b>18,020</b>	<b>14.8</b>
<b>Total revenue</b>	<b>159,751</b>	<b>100.0</b>	<b>217,949</b>	<b>100.0</b>	<b>228,225</b>	<b>100.0</b>	<b>110,928</b>	<b>100.0</b>	<b>121,437</b>	<b>100.0</b>

\* Comprised repair, maintenance and technical support services during the rental period and miscellaneous equipment rental related services (including on-demand technical support and transportation services, equipment assembly, installation and dismantling services).

\*\* Being transportation services related to the sales of machinery and spare parts.

Please see pages 188 to 190 for further information.

The following table shows a breakdown of our rental income generated from our rented fleet and owned fleet during the Track Record Period:

	For the year ended 31 March						For the six months ended 30 September			
	2013		2014		2015		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Rented fleet	97,784	81.9	105,324	73.3	110,905	68.6	54,913	69.6	55,886	63.2
Owned fleet	21,638	18.1	38,333	26.7	50,755	31.4	23,982	30.4	32,478	36.8
<b>Total</b>	<b>119,422</b>	<b>100.0</b>	<b>143,657</b>	<b>100.0</b>	<b>161,660</b>	<b>100.0</b>	<b>78,895</b>	<b>100.0</b>	<b>88,364</b>	<b>100.0</b>

Please see page 199 for further information.

## SUMMARY

The following table shows a breakdown of our gross profit and gross profit margin by our sales segments during the Track Record Period:

	For the year ended 31 March						For the six months ended 30 September			
	2013		2014		2015		2014		2015	
	Gross profit HK\$'000	Gross margin (%)	Gross profit HK\$'000	Gross margin (%)	Gross profit HK\$'000	Gross margin (%)	Gross profit HK\$'000	Gross margin (%)	Gross profit HK\$'000	Gross margin (%)
<b>Rental services</b>										
Rental income — rented fleet	31,225	31.9	29,535	28.0	34,210	30.8	15,069	27.4	17,107	30.6
Rental income — owned fleet	13,839	64.0	16,139	42.1	20,064	39.5	11,064	46.1	14,310	44.1
Equipment operating service and other services	<u>4,508</u>	20.3	<u>7,555</u>	27.5	<u>7,165</u>	25.9	<u>3,936</u>	26.7	<u>4,529</u>	30.1
<b>Sub-total</b>	<u>49,572</u>	35.0	<u>53,229</u>	31.1	<u>61,439</u>	32.4	<u>30,069</u>	32.1	<u>35,946</u>	34.8
<b>Trading</b>	<u>3,741</u>	20.6	<u>8,464</u>	18.1	<u>7,882</u>	20.3	<u>3,500</u>	20.2	<u>5,389</u>	29.9
<b>Total</b>	<u>53,313</u>	33.4	<u>61,693</u>	28.3	<u>69,321</u>	30.4	<u>33,569</u>	30.3	<u>41,335</u>	34.0

Please see pages 204 to 206 for further information.

Set out below is our net profit margin during the Track Record Period:

	For the year ended 31 March			For the six months ended 30 September	
	2013	2014	2015	2014	2015
Net profit margin (%)	22.1	18.4	18.8	18.9	15.2*

\* After adjusting for listing expenses of HK\$7.9 million incurred for the six months ended 30 September 2015, our net profit margin for the period would be 21.7%.

### Operating lease commitment and the impact of the application of International Financial Reporting Standards 16

During the Track Record Period, we entered into non-cancellable lease contracts as lessee for certain of our office premises and vehicles. Under the current Hong Kong Financial Reporting Standards (“**HKFRS**”), operating lease payments are recognised as an expense on a straight-line basis over the lease term.

International Financial Reporting Standards (“**IFRS**”) 16 will be effective for annual periods beginning on or after 1 January 2019 and will supersede International Accounting Standards 17 *Leases*. Given the convergence between IFRS and HKFRS, IFRS 16 will presumably have an effect on our Company’s financial results and position in the future. This new standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classify cash repayments of the

## SUMMARY

lease liability into a principal portion and an interest portion and present them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.

As at 31 March 2013, 2014 and 2015 and 30 September 2015, the non-cancellable lease contracts entered into by our Group as lessee amounted to HK\$0.1 million, HK\$2.9 million, HK\$1.7 million and HK\$1.2 million, respectively. Based on the aforementioned amount of non-cancellable lease contracts entered into by our Group, our Directors expect that the adoption of the equivalent standard of IFRS 16 in Hong Kong will not have a significant impact on the result and financial position of our Group should the standard have been required to be adopted.

### Equipment Utilization

The following table sets out information on the number and utilisation rate of our owned equipment by category as at the dates and for the periods indicated.

	As at 31 March/ For the year ended 31 March						As at 30 September/ For the six months ended 30 September 2015	
	2013		2014		2015		Number in fleet	Utilisation rate (%) (Note 1)
	Number in fleet	Utilisation rate (%) (Note 1)	Number in fleet	Utilisation rate (%) (Note 1)	Number in fleet	Utilisation rate (%) (Note 1)		
Power and energy	94	28.7	164	46.4	250	42.8	289	43.8
High reach	338	22.9	404	15.2	527	40.4	670	54.1
Material handling	52	39.9	65	34.5	93	49.5	134	51.1
Others (Note 2)	75	31.9	178	33.2	182	19.5	187	17.4
<b>Total</b>	<b>559</b>	<b>25.9</b>	<b>811</b>	<b>25.9</b>	<b>1,052</b>	<b>37.6</b>	<b>1,280</b>	<b>45.5</b>

#### Notes:

- Utilisation rate is calculated based on the number of days equipment were rented out during the respective period divided by the estimated number of days the equipment is available for service in the year (excluding estimated maintenance of 30 days and transportation and delivery time of 30 days). Utilisation rate is calculated for our owned equipment only. For rented equipment, we only rent the equipment from suppliers on an as-needed basis if the equipment required by our customers is not available from our owned equipment.
- Others include lifting, earth moving, foundation, road and transportation, tunnelling, demolition and small equipment.

## SUMMARY

### RECENT DEVELOPMENTS

Our revenue from Hong Kong contributed 98.4%, 96.1%, 82.1% and 79.1% of our total revenue for the years ended 31 March 2013, 2014 and 2015 and for the six months ended 30 September 2015, respectively. We have been providing equipment to certain public projects in Hong Kong, including some of the Ten Major Infrastructure Projects; namely South Island Line, Shatin to Central Link, Tuen Mun-Chek Lap Kok Link and Tuen Mun Western Bypass, Kai Tak Development Plan, Guangzhou-Shenzhen-Hong Kong Express Rail Link, Hong Kong-Zhuhai-Macau Bridge and West Kowloon Cultural District. For the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, our rental income generated from public projects was 75.9%, 78.1%, 62.2% and 61.1% of our total rental income from our rental business, respectively, among which 67.3%, 77.8%, 71.5% and 56.0% of our rental income generated from public projects was from the abovementioned Ten Major Infrastructure Projects in which we participated. Some of these public projects in Hong Kong have experienced delay in commencement or completion schedule. However, such delay in completion schedules of those public projects has not resulted in early termination of the scheduled rental period of our equipment. Furthermore, our financial results had not been adversely affected by any delay in the commencement of scheduled rental period of our equipment caused by the delay in completion scheduled of public projects, as (i) in cases where we have already rented the equipment to the construction or engineering companies, such customers will generally continue to rent the equipment for the period of the delay, unless it is expected that the delay will last for a significant period or indefinitely, which had not been the case; and (ii) we are able to employ our equipment, which should have been allocated to the delayed projects according to the original schedule, for other projects during the period of postponement.

As at the Latest Practicable Date, we are not aware of any expected material delay in public projects which we are currently providing equipment to, other than those publicly announced, namely Guangzhou-Shenzhen-Hong Kong Express Rail Link, Hong Kong-Zhuhai-Macau Bridge and West Kowloon Cultural District. Please refer to the section “Industry Overview — Overview of the Construction Industry in Hong Kong and Macau — Market size of the Construction Industry” of this prospectus. Some of the mega-size public projects such as some of the Ten Major Infrastructure Projects have attracted more political filibustering, for which please see the risk factor “Delay in the commencement of public projects, which may be caused by factors such as political disagreements in relation to such projects, delay in approval of funding proposals due to political filibustering and objections or legal actions by the affected members of the public, and the occurrence of large scale demonstration or occupation activities may adversely affect our operations and results of operation” on page 33. We believe that such delay of mega-size public projects may have significant impact on the construction or engineering companies which are engaged as contractors or sub-contractors of such projects or construction equipment providers with a focus on large construction equipment, but because our rental fleet comprises a diverse range of different equipment, which are used for different purposes in construction and engineering projects of large and small sizes, or Events and Entertainment activities, the effect of delay of such projects on us has not been significant. On the basis set out above, we do not foresee that the delay in the commencement or progress of the Ten Major Infrastructure Projects will have significant impact on our business under the current circumstances.

In the event that the delay in the mega-size public projects, such as the Ten Major Infrastructure Projects, becomes significant in the long run, we will consider measures to avoid any material effect on our business, such as focusing our business more on other projects, including public projects of smaller scale that are less likely to be susceptible to public

## SUMMARY

controversy, political filibustering and delay, and large and small scale private projects, and our equipment rental for Events and Entertainment activities. However, in the unlikely event, that a significant number of the public projects are delayed for a significant period of time, there will be a significant adverse impact on the construction industry in Hong Kong, which in turn will materially and adversely affect our business and results of operation. Please see the risk factor “The equipment rental industry is cyclical. Decrease in construction and E&M engineering activities could materially adversely affect our revenue and operating results by decreasing the demand for our equipment or the rental rates or prices we can charge.” on page 28 for the relevant risk. Based on our unaudited management accounts, our average monthly revenue from Hong Kong for the four months ended 31 January 2016 slightly decreased, as compared with the average monthly revenue from Hong Kong for the six months ended 30 September 2015.

Our revenue from Macau contributed 1.6%, 3.9%, 17.9% and 20.9% of our total revenue for the years ended 31 March 2013, 2014 and 2015 and for the six months ended 30 September 2015, respectively. According to the F&S Report, the market size of Macau’s construction equipment rental market for 2015 is estimated to experience a decrease of 9.3% as compared to that of 2014 which is mainly attributable to the decrease in output value from the overall construction industry in Macau as a result of the decline in investment in casino constructions as well as recession of private housing market in Macau. Furthermore, the forecasted growth rate of the market size of Macau’s construction equipment rental market from 2015 to 2019 of CAGR 9.1% is substantially lower than the historical growth rate of CAGR 71.8% from 2010 to 2014.

Our business in Macau has been experiencing a slowdown since October 2015 and our average monthly revenue from Macau for the four months ended 31 January 2016 has decreased by about 30%, as compared with the average monthly revenue for the six months ended 30 September 2015. In view of the recent slowdown of Macau’s construction industry, we will continue monitor the economy condition in Macau and adopt a flexible strategy in deployment of our equipment in Macau to projects in Hong Kong to maximize the utilization of our equipment. If the demand for our equipment in Macau continues to decrease and we are not able to deploy our excess equipments in Macau to projects in Hong Kong, our results will be negatively affected.

Furthermore, there was an increase in our borrowings as at 31 January 2016 as a result of the securing of financing for purchase of owned equipment for rental purpose prior to 31 January 2016. Our Directors confirm that, save for the listing expenses as disclosed in the paragraph headed “Listing Expenses” below which is expected to materially affect our results in the financial year ending 31 March 2016, and the aforementioned recent slowdown of the construction market in Macau, as far as our Directors are aware, there was no material change in the financial or trading position of our Group since 30 September 2015 to the date of this prospectus.

### LISTING EXPENSES

The total listing expenses (based on the mid point of the indicative Offer Price range) are estimated to be HK\$31.8 million. For the six months ended 30 September 2015, we recognised listing expenses of HK\$7.9 million. By the completion of the Global Offering, we expect to further incur listing expenses of HK\$23.9 million among which, an estimated amount of HK\$15.7 million is to be recognised as expenses and the remaining estimated listing expenses is expected to be charged to equity. We expect the listing expenses will materially affect our net profit for the year ending 31 March 2016. Please see page 232 for further information.



## SUMMARY

### SHAREHOLDERS INFORMATION

Upon the Listing, Mr. Lau and Ms. Chan, through their respectively wholly-owned companies, New Club House and Great Club House, will hold 42.075% and 32.925% of our Company, and will be our Controlling Shareholders; and Kanamoto Japan will hold 7.500% of our Company. Please see page 182 for further information.

### STATISTICS OF THE GLOBAL OFFERING

	Audited consolidated net tangible assets of our Group as at 30 September 2015 <i>HK\$'000</i> <i>Note 1</i>	Estimated net proceeds from the Global Offering <i>HK\$'000</i> <i>Note 2</i>	Unaudited pro forma adjusted consolidated net tangible assets of our Group <i>HK\$'000</i> <i>Note 3</i>	Unaudited pro forma adjusted consolidated net tangible assets of our Group per Share <i>HK\$</i>
Based on a minimum Offer Price of HK\$0.60 per Offer Share	129,070	68,182	197,252	0.23
Based on a maximum Offer Price of HK\$0.75 per Offer Share	129,070	87,798	216,868	0.25

*Notes:*

- (1) The audited consolidated net tangible assets of our Group attributable to the owners of our Company as at 30 September 2015 are based on audited consolidated net assets of our Group attributable to the owners of our Company as at 30 September 2015 as set out in Appendix I to this Prospectus.
- (2) The estimated net proceeds from the Global Offering are based on 151,200,000 Shares to be issued at a minimum Offer Price of HK\$0.60 or a maximum Offer Price of HK\$0.75 per Offer Share, respectively, after deduction of the estimated underwriting fees and other related expenses expected to be incurred by our Group subsequent to 30 September 2015 and does not take into account of any Offer Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued or repurchased pursuant to our Company's general mandate.
- (3) The unaudited pro forma adjusted consolidated net tangible assets of our Group per Share is arrived on the basis of 864,000,000 Shares in issue, assuming that 836,622,000 Shares to be issued pursuant to the Global Offering and Capitalisation Issue had been completed on 30 September 2015. It does not take into account of any Offer Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, or any Shares which may be issued or repurchased pursuant to our Company's general mandate.
- (4) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to 30 September 2015.

The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of our Company per Share does not take into account dividends of HK\$11,000,000 declared on 30 December 2015. Assuming that the dividends of HK\$11,000,000 declared on 30 December 2015 had been taken into account, the unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of our Company per Share would have been HK\$0.22 and HK\$0.24 at the Offer Price of HK\$0.60 and HK\$0.75, respectively, which is calculated based on 864,000,000 Shares in issue immediately following the completion of the Global Offering and Capitalisation Issue.

Please see pages II-1 to II-2 for further information.

## SUMMARY

### DIVIDENDS

We declared dividends of HK\$5.4 million, HK\$10.3 million and HK\$20.0 million, respectively for the years ended 31 March 2013, 2014 and 2015. We declared interim dividends for the year ending 31 March 2016 of HK\$11.0 million in December 2015. As at 26 February 2016, such declared dividends have been fully paid.

We currently plan to pay a total dividend in respect of each financial year of not less than 30% of our consolidated profit attributable to our Shareholders for that year after the Listing, subject to the following factors and considerations. The declaration and payment of any future dividends (including the amount) will depend on our financial condition, results of operation, level of cash, statutory and regulatory restrictions in relation thereto, future prospects, and other factors that our Directors may consider relevant. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any of our plans or at all. Our historical dividend distribution record may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. Dividends may be paid only out of our Company's distributable reserves as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our Group's operation. Please see page 237 for further information.

### RISK FACTORS

Our business is subject to a number of risks and there are risks relating to an investment in the Offer Shares. We believe that the following are some of the major risks that may have a material adverse effect on us:

- The equipment rental industry is cyclical. Decreases in construction and E&M engineering activities could materially adversely affect our revenues and operating results by decreasing the demand for our equipment or the rental rates or prices we can charge.
- The equipment rental industry is competitive, and competitive pressures could lead to a decrease in our market share or in rental rates and our ability to sell equipment at favourable prices.
- The nature of our business exposes us to various liability claims which may exceed the scope or level of our insurance coverage and thereby not fully protect us, or not be covered by our insurance at all, and this could have a material adverse effect on our operating performance.
- Deterioration or termination of one or more of our relationships with any of our major equipment suppliers, in particular Kanamoto, our largest supplier, could have a significant adverse effect on our operations, business and results of operation.
- Our financial results for the year ending 31 March 2016 are expected to be significantly and adversely affected by the expenses in relation to the Global Offering.

You should read the entire "Risk Factors" section from page 28 to page 41 in the prospectus carefully.

## DEFINITIONS

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

“Application Form(s)”	<b>WHITE, YELLOW, GREEN</b> and <b>PINK</b> application form(s) or, where the context so requires, any of them
“AP BVI”	AP Rentals (BVI) Holdings Limited, a company incorporated in the BVI with limited liability on 18 June 2015 and a wholly-owned subsidiary of our Company
“AP Macau”	AP Equipment Leasing and Engineering Limited, a company incorporated in Macau on 22 December 2004 and a subsidiary owned as to 96% by AP Rentals and 4% by Mr. Lau on trust for AP Rentals
“AP Rentals”	AP Rentals Limited (亞積邦租賃有限公司), a company incorporated in Hong Kong with limited liability on 30 April 1997 and a wholly-owned subsidiary of our Company (formerly known as Kato (South China) Limited prior to 10 January 2006 and ASA Asset Management Limited from 10 January 2006 to 6 October 2009)
“Articles” or “Articles of Association”	the articles of association of the Company conditionally adopted on 17 March 2016 which will take effect on the Listing Date, as amended, supplemented or otherwise modified from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“business day(s)”	any day(s) (excluding Saturday(s) and Sunday(s)) in Hong Kong on which licensed banks in Hong Kong are open for banking business throughout their normal business hours
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the capitalisation of an amount of HK\$685,422 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 685,422,000 Shares for allotment and issue to the Shareholders as resolved by the Shareholders on 17 March 2016
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

## DEFINITIONS

“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”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“close associate(s)”	has the meanings ascribed thereto under the Listing Rules
“Co-lead Managers”	Ample Orient Capital Limited, Finet Securities Limited, Oriental Patron Securities Limited and Quam Securities Company Limited
“Companies Law”	the Companies Law, (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	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”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” and “our Company”	AP Rentals Holdings Limited (亞積邦租賃控股有限公司*), an exempted company incorporated in the Cayman Islands on 11 June 2015 with limited liability
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has/have the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to Mr. Lau, Ms. Chan, New Club House and Great Club House, who will together control the exercise of 75.0% voting rights in the general meeting of our Company immediately following the completion of the Global Offering and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised)
“core connected person(s)”	has the meanings ascribed thereto under the Listing Rules

(\* For identification purpose only)

## DEFINITIONS

“Deed of Indemnity”	the deed of indemnity dated 18 March 2016 executed by Mr. Lau and Ms. Chan (as indemnifiers) in favour of our Company, particulars of which are set out in “Appendix IV — Statutory and General Information — E. Other Information — 2. Indemnities given by Mr. Lau and Ms. Chan” in this prospectus
“Deed of Non-competition”	the deed of non-competition dated 18 March 2016 executed by our Controlling Shareholders (as covenantors) in favour of our Company, particulars of which are set out in the section “Relationship with Controlling Shareholders — Deed of Non-Competition” in this prospectus
“Director(s)” and “our Director(s)”	director(s) of the Company
“E&M engineering” or “E&M”	electrical and mechanical engineering
“Eligible Employees”	all full-time employees (as defined under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong)) of our Group who have joined our Group on or before the Latest Practicable Date and have a Hong Kong address
“Employee Preferential Offering”	the offer of up to 1,512,000 Hong Kong Offer Shares to Eligible Employees as described in the section “Structure of the Global Offering — Employee Preferential Offering” in this prospectus
“Employee Reserved Shares”	the 1,512,000 Hong Kong Offer Shares (representing 1% of the Offer Shares initially available under the Global Offering) available in the Employee Preferential Offering and which are to be allocated out of the Hong Kong Offer Shares
“Event and Entertainment”	the planning, organisation and operation of large scale events and entertainment activities
“F&S Report”	the commissioned report prepared by Frost & Sullivan
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., our industry consultant
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Great Club House”	Great Club House Holdings Limited, a company incorporated in the British Virgin Islands with limited liability on 8 June 2015 and directly wholly-owned by Ms. Chan. Great Club House is a Controlling Shareholder



## DEFINITIONS

“GREEN Application Form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Group”, “we”, “our”, “our Group” and “us”	our Company and its subsidiaries or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, the present subsidiaries of our Company, some or any of them and the businesses carried on by such subsidiaries or (as the case may be) their predecessors
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars”, “Hong Kong Dollars”, “HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Offer Shares”	the 15,120,000 newly issued Shares offered by us for subscription under the Hong Kong Public Offering, representing 10% of the initial number of the Offer Shares subject to adjustment as described in the section headed “Structure of the Global Offering” in this prospectus
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares by our Company for subscription by members of the public in Hong Kong (subject to adjustment as described in the section headed “Structure of the Global Offering” in this prospectus) for cash at the Offer Price, payable in full on application, and subject to the terms and conditions stated herein and in the Application Forms
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Underwriter(s)”	the underwriter(s) of the Hong Kong Public Offering listed in the section headed “Underwriting — Hong Kong Underwriters” in this prospectus

## DEFINITIONS

“Hong Kong Underwriting Agreement”	the underwriting agreement dated 23 March 2016 relating to the Hong Kong Public Offering entered into among our Company, our executive Directors, our Controlling Shareholders, the Joint Global Coordinators and the Hong Kong Underwriters, particulars of which are set forth in the section headed “Underwriting” in this prospectus
“Independent Third Party(ies)”	party(ies) which are independent of and not connected with any director, chief executive or Substantial Shareholder of our Company or any of its subsidiaries or any of their respective associates within the meaning of the Listing Rules
“International Offering”	the conditional placing of the International Offer Shares for and on behalf of our Company outside the United States (including to professional, institutional and corporate investors and excluding retail investors in Hong Kong) in reliance on Regulation S, subject to adjustment and the exercise of the Over-allotment Option as further described in the section headed “Structure of the Global Offering” in this prospectus
“International Offer Shares”	the 136,080,000 Shares being offered by our Company for subscription under the International Offering subject to adjustment and together, where relevant, with any additional Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option as further described in the section headed “Structure of the Global Offering” in this prospectus
“International Underwriters”	the underwriters of the International Offering whose names are set forth in the section headed “Underwriting — International Underwriters” in this prospectus
“International Underwriting Agreement”	the conditional underwriting agreement expected to be entered into on or about the Price Determination Date, among our Company, our executive Directors, our Controlling Shareholders, the Joint Global Coordinators and the International Underwriters in respect of the International Offering, particulars of which are set forth in the section headed “Underwriting” in this prospectus
“Joint Bookrunners”	BOSC International Company Limited and Great Roc Capital Securities Limited
“Joint Global Coordinators”	BOSC International Company Limited and Great Roc Capital Securities Limited

## DEFINITIONS

“Joint Lead Managers”	BOSC International Company Limited and Great Roc Capital Securities Limited
“Kanamoto”	Kanamoto Japan and its subsidiaries
“Kanamoto Cooperation Agreement”	the cooperation agreement entered into among AP Rentals, Kanamoto HK and Kanamoto Japan on 19 June 2015
“Kanamoto HK”	Kanamoto (HK) Co., Limited, a company incorporated in Hong Kong on 25 June 2009 and the largest supplier of our Group during the Track Record Period
“Kanamoto Japan”	Kanamoto Co., Ltd.* (株式会社カナモト), a company incorporated in Japan on 24 September 1937 and a Shareholder of our Company
“Latest Practicable Date”	14 March 2016, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information in this prospectus
“Listing”	the listing of the Shares on the Main Board
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	the date on which dealings in the Shares on the Main Board commences
“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 exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the memorandum of association of the Company conditionally adopted on 17 March 2016 which will take effect on the Listing Date (as amended from time to time), a summary of which is set out in Appendix III to this prospectus
“MOP”	Macau Pataca, the lawful currency of Macau

## DEFINITIONS

“Mr. Lau”	Mr. Lau Pong Sing, an executive Director, the chairman of the Board and the chief executive officer of our Company and a Controlling Shareholder
“Mr. TF Lau”	Mr. Lau Tsz Fung
“Ms. Chan”	Ms. Chan Kit Mui, Lina, an executive Director and the chief operating officer of our Company and a Controlling Shareholder
“NRMM Regulation”	Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (Chapter 311Z of the Laws of Hong Kong)
“New Club House”	New Club House International Holdings Limited, a company incorporated in the BVI with limited liability on 8 June 2015 and directly wholly-owned by Mr. Lau. New Club House is a Controlling Shareholder
“Offer Price”	the final price for each Offer Share (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee payable thereon) of not more than HK\$0.75 per Offer Share and is expected to be not less than HK\$0.60 per Offer Share at which the Offer Shares are to be offered for subscription pursuant to the Global Offering
“Offer Share(s)”	the Hong Kong Offer Shares (including the Employee Reserved Shares) and the International Offer Shares together, where relevant, with any additional Shares issued pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option to be granted by our Company to the International Underwriters in the event that the size of the Global Offering is equal to or more than HK\$100 million, exercisable by the Joint Global Coordinators (for themselves and on behalf of the other International Underwriters), pursuant to which our Company may be required to allot and issue up to an aggregate of 22,680,000 additional Offer Shares, representing 15% of the initial size of the Global Offering, to cover over-allocations in the International Offering, as described in the section headed “Structure of the Global Offering — Over-allotment Option and Stabilisation” in this prospectus
“ <b>PINK</b> Application Form(s)”	the application form(s) for use by Eligible Employees to subscribe for Employee Reserved Shares pursuant to the Employee Preferential Offering

## DEFINITIONS

“PRC” or “China”	the People’s Republic of China which, for the purposes of this prospectus only, excludes Hong Kong, Macau and Taiwan
“Pre-IPO Investment”	the pre-IPO investment made by Kanamoto Japan pursuant to the Pre-IPO Investment Agreement, particulars of which are set out in “History and Development — Pre-IPO Investment” in this prospectus
“Pre-IPO Investment Agreement”	the agreement dated 13 August 2015 entered into among Great Club House, Kanamoto Japan, New Club House and Kanamoto HK, where Great Club House transferred 2,488,934 Shares to Kanamoto Japan at a consideration of HK\$2,488,934
“Price Determination Agreement”	the agreement to be entered into between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or before the Price Determination Date to fix and record the Offer Price
“Price Determination Date”	the date on which the final Offer Price is to be determined by our Company and the Joint Global Coordinators (for themselves and on behalf of the other Underwriters), which is expected to be on or about Friday, 1 April 2016 and in any event not later than 12:00 noon on Wednesday, 6 April 2016
“QPME”	Quality Powered Mechanical Equipment, a type of construction equipment which is quieter and more environmentally friendly and efficient
“QPME Equipment”	12 types of commonly used equipment as included in the QPME System, namely, tracked bulldozer, wheeled bulldozer, tracked loader, wheeled loader, wheeled/tracked excavator, generator, mobile crane, vibratory roller, road roller, asphalt paver, vibratory compactor and power rammer (petrol)
“QPME Label”	Quality Powered Mechanical Equipment labels, applied by either the equipment supplier or the owner and granted under the QPME System
“QPME System”	Quality Powered Mechanical Equipment System, an administrative labelling system in Hong Kong implemented for promoting the use of environmentally friendly construction equipment
“Regulation S”	Regulation S under the US Securities Act

## DEFINITIONS

“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing as described in the section headed “History and Development — Our Reorganisation” in this prospectus
“RMB”	Renminbi, the official currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	share(s) of HK\$0.001 each in the share capital of our Company
“Shareholder(s)”	holder(s) of Share(s)
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 17 March 2016, a summary of principal terms of which is set out under the paragraph headed “D. Share Option Scheme” in Appendix IV to this prospectus
“Sole Sponsor”	BOSC International Company Limited
“Stabilising Managers”	BOSC International Company Limited and Great Roc Capital Securities Limited
“Stock Borrowing Agreement”	the stock borrowing agreement to be entered into between the Stabilising Managers and Great Club House, pursuant to which the Stabilising Managers may borrow up to 22,680,000 Shares to cover any over-allocation in the International Offering
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Companies Ordinance
“Substantial Shareholder(s)”	has/have the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC

## DEFINITIONS

“Ten Major Infrastructure Projects”	the ten major infrastructure projects in Hong Kong as listed in the 2010–2011 Policy Address of the Hong Kong government, namely the Shatin to Central Link, the Tuen Mun Western Bypass and Tuen Mun Chek Lap Kok Link, Kai Tak Development Plan, New Development Areas, Hong Kong-Shenzhen Airport Cooperation, Hong Kong Shenzhen Joint Development of the Lok Ma Chau Loop, South Island Line, West Kowloon Cultural District, the Guangzhou-Shenzhen-Hong Kong Express Rail Link and Hong Kong-Zhuhai-Macau Bridge
“Total Purchases”	means the sum of (i) our total cost of sales less staff costs and depreciation and (ii) purchases of our owned rental equipment
“Track Record Period”	the three financial years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “U.S.” or “US”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“USD” or “US\$” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“ <b>WHITE</b> Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant’s own name
“White Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name, submitted applications online through the designated website of the White Form eIPO Service Provider, <a href="http://www.eipo.com.hk">www.eipo.com.hk</a>
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited



## DEFINITIONS

“**YELLOW** Application Form(s)” the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS

“%” per cent

*In this prospectus, unless expressly stated or the context requires otherwise:*

- *all data in this prospectus is as of the date of this prospectus;*
- *amounts and percentage figures, including share ownership and operating data in this prospectus, may have been subject to rounding adjustments. Where information is presented in thousands or millions, amounts of less than one thousand or one million, as the case may be, have been rounded to the nearest hundred or hundred thousand, respectively, and amounts presented as percentages have been rounded to the nearest tenth of a percent. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of the individual items;*
- *English names marked with “\*” are unofficial English translation of entities for which no official English translation exists. These English names are for identification purposes only;*
- *percentage shareholding of our Company upon or after the completion of Global Offering and the Capitalisation Issue represents percentage shareholding calculated on the basis without taking into account any Shares which may be allotted and issued upon any exercise of the Over-allotment Option and the options which have been or may be granted under the Share Option Scheme; and*
- *if there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail.*

This section contains terms used in this prospectus. As such, these terms and their meanings may not correspond to standard industry meanings or usages of these terms.

## FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in the sections headed “Summary”, “Risk Factors”, “Industry Overview”, “Business”, “Financial Information” and “Future Plans and Use of Proceeds” in this prospectus. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under the section headed “Risk Factors” in this prospectus, which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and operating plans;
- our capital expenditure and expansion plans;
- our ability to identify and successfully take advantage of new business development opportunities;
- our dividend policy;
- our prospective financial information; and
- the regulatory environment and industry outlook for the construction equipment rental industries.

The words “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “seek”, “will”, “would” and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:

- any changes in the laws, rules and regulations relating to any aspect of our business or operations;
- general economic, market and business conditions in Hong Kong and Macau;
- various business opportunities that we may pursue; and
- the risk factors discussed in this prospectus as well as other factors beyond our control.

## **FORWARD-LOOKING STATEMENTS**

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section as well as the risks and uncertainties discussed in the section “Risk Factors” in this prospectus.

## RISK FACTORS

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

### RISKS RELATING TO OUR BUSINESS

**The equipment rental industry is cyclical. Decreases in construction and E&M engineering activities could materially adversely affect our revenues and operating results by decreasing the demand for our equipment or the rental rates or prices we can charge.**

The equipment rental industry is cyclical in general and its revenues are tied to general economic conditions and to conditions in the construction and E&M engineering industry in particular. Our products and services are used primarily in construction projects which is cyclical and sensitive to changes in general economic conditions. Weakness in our end-markets, such as a decline in construction and E&M engineering activity, may decrease the demand for our equipment or the rental rates or prices we can charge. Factors that may cause weakness in our end-markets include:

- weakness in the economy (such as the slowdown in economic growth in Hong Kong since the second half of 2015 and the negative economic growth in Macau since late 2014) or the onset of a new recession;
- slowdown in the expansion of the construction industry in Hong Kong and Macau where we operate, given that revenue from the construction industry in Hong Kong is expected to grow at a CAGR of 5.0% from 2015 to 2019, which is lower than the CAGR of 6.8% at which it grew from 2010 to 2014, and revenue from the construction industry in Macau is expected to grow at a CAGR of 3.1% from 2015 to 2019, which is lower than the CAGR of 35.6% at which it grew from 2010 to 2014, as set out in the section “Industry Overview — Overview of the Construction Industry in Hong Kong and Macau”;
- increase in the cost of construction materials and labour costs, as illustrated, for instance, by the increase in the index of composite labour wages for civil engineering contracts published by the Hong Kong Census and Statistics Department from 137.3 in November 2014 to 145.6 in November 2015;
- increases in interest rates, which are foreshadowed by the decision of the Federal Reserve of the U.S. in December 2015 to increase the target range for the federal funds rate to 0.25–0.50%; and
- adverse changes in the government infrastructure spending.

## RISK FACTORS

We have been providing equipment to certain public projects in Hong Kong, including some of the Ten Major Infrastructure Projects. For years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, our rental income generated from public projects was 75.9%, 78.1%, 62.2% and 61.1% of our total rental income from our rental business, respectively. Some of these public projects in Hong Kong have experienced delay in commencement or completion schedule. While, as set out in the section “Summary — Recent Development”, our financial results had not been adversely affected by any postponement in the commencement of scheduled rental period of our equipment caused by the recent delay in completion scheduled of some public projects, in the event that a significant number of the public projects in Hong Kong, including the Ten Major Infrastructure Projects, are delayed for a significant period of time or indefinitely, there will be significant adverse impact on the construction industry in Hong Kong, which in turn will materially and adversely affect our business and results of operation. Please also see the risk factor “Delay in the commencement of public projects, which may be caused by factors such as political disagreements in relation to such projects, delay in approval of funding proposals due to political filibustering and objections or legal actions by the affected members of the public, and the occurrence of large scale demonstration or occupation activities may adversely affect our operations and results of operation.” for further information on the relevant risk.

Future declines in construction and E&M engineering activity could materially adversely affect our operating results by decreasing our revenues and gross profit margins.

In addition, the cyclical nature of our industry makes it more difficult to accurately forecast trends in the industry. Uncertainty regarding future demand could cause us to maintain excess equipment inventory and increase our equipment inventory costs. On the other hand, during periods of increased demand, we may not have enough rental equipment to satisfy demand, which could result in a loss of market share.

**The equipment rental industry is competitive, and competitive pressures could lead to a decrease in our market share or in rental rates and our ability to sell equipment at favourable prices.**

The equipment rental industry is fragmented and competitive. Our competitors may be able to provide their products and services at lower prices. We may encounter increased competition in the equipment rental market, equipment sales market or equipment repair and services market from existing competitors or from new market entrants.

We believe that rental rates, fleet size and quality are the primary competitive factors in the equipment rental industry. From time to time, our competitors may compete by lowering their rental rates or prices. Competitive pressures could materially adversely affect our revenues and operating results by decreasing our market share or depressing the rental rates. If we lower rental rates or increase our fleet in order to retain or increase market share, our operating margins would be adversely impacted.

## RISK FACTORS

**The nature of our business exposes us to various liability claims which may exceed the scope or level of our insurance coverage and thereby not fully protect us, or not be covered by our insurance at all, and this could have a material adverse effect on our operating performance.**

Our business exposes us to claims from our employees or third parties, such as our customers, for personal injury, death or property damage resulting from the use of the equipment we rent, sell, service or repair, the defects of such equipment and from injuries caused in accidents in which our personnel are involved and other employee-related matters. Our equipment operators may be exposed to risks when operating our equipment at our customers' construction sites, and may suffer personal injuries as a result of accidents arising out of or in the course of their employment. We may also be liable for any damage or injuries resulting from accidents caused by the fault or negligence of our equipment operators.

We face the risk of loss or damage to our properties and construction machinery due to fire, flood, theft or other kinds of accidents in our day-to-day operations. Such events may lead to disruptions and may therefore adversely affect our profitability. We maintain certain insurance, as set out in the section "Business — Insurance" in this prospectus, but certain kinds of losses cannot be insured or insured at a commercially reasonable cost, and our insurance policies are subject to liability limits and exclusions. We may be exposed to claims that are not covered by our insurance, and may incur significant costs which could materially adversely affect our business, financial condition and results of operations.

The cost of such insurance policies may increase significantly upon renewal of those policies as a result of general rate increases for the type of insurance we carry as well as our claim record. Our existing or future claims may exceed the coverage level of our insurance, and such insurance may not continue to be available on economically reasonable terms, or at all. If we are required to pay significantly higher premiums for insurance, are not able to maintain insurance coverage at affordable rates or if we must pay amounts in excess of claims covered by our insurance, we could experience higher costs that could materially adversely affect our business, financial condition and results of operations.

**Deterioration or termination of one or more of our relationships with any of our major equipment suppliers, in particular Kanamoto, our largest supplier, could have a significant adverse effect on our operations, business and results of operation.**

We purchase and rent most of our rental equipment from a limited number of suppliers. For the years ended 31 March 2013, 2014 and 2015, and the six months ended 30 September 2015, our purchases from and rental paid to our five largest suppliers represented 72.8%, 61.0%, 70.4% and 71.9%, respectively, of our Total Purchases, and purchases from and rental paid to our largest supplier, Kanamoto HK, accounted for 54.7%, 37.6%, 35.8% and 30.8% of our Total Purchases in the respective periods. We are dependent on the continued supply of equipment and parts from these suppliers to maintain and expand our business.

## RISK FACTORS

We generate a substantial part of our rental income from our rented fleet of equipment, representing 81.9%, 73.3%, 68.6% and 63.2% of our rental income for the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, respectively. Our hiring expenses for renting equipment from our suppliers were HK\$58.5 million, HK\$67.1 million, HK\$65.2 million and HK\$32.2 million for the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, respectively, representing 55.0%, 43.0%, 41.0% and 40.2% of our cost of sales for the respective periods.

In particular, we rented a significant part of our rental fleet from Kanamoto, our largest supplier during the Track Record Period, for details of which please see the section “Business — Supplies and Procurement — Our Relationship with Kanamoto”. Hiring expenses for equipment we rented from Kanamoto was HK\$55.4 million, HK\$64.3 million, HK\$61.0 million and HK\$30.0 million for the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, respectively, representing 94.7%, 95.8%, 93.7% and 93.1% of our total hiring expenses for the respective periods.

There is no assurance that we can continue and maintain our relationship with our major suppliers including Kanamoto. Deterioration or termination of any such relationships, in particular our relationship with Kanamoto, could have a significant adverse effect on our business, financial condition and results of operations if we were unable to obtain adequate equipment for rental and sale from other sources in a timely manner, on favourable terms or at all.

In the event that our relationship with Kanamoto deteriorates, or the Kanamoto Cooperation Agreement is terminated, we may face the following risks that may have a significant adverse effect on our operations, business and results of operations:

- There may be material interruptions to our operations and business before we can secure supply and rental of equipment from other suppliers for the large quantity of equipment that we may need, and it may take time for us to negotiate for purchase and rental terms with the other suppliers.
- Even if we are able to purchase or rent equipment from other suppliers, they may not supply or rent equipment to us on similar or favourable commercial terms as Kanamoto currently do, or at all.
- Further, we may not be able to rent equipment from other suppliers on an as-needed basis as efficiently as we currently do from Kanamoto. For the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, the gross profit margin of our rental income from rented fleet was 31.9%, 28.0%, 30.8% and 30.6%, respectively. We believe the gross profit margin was relatively high, partly because we only rented equipment from suppliers on an as-needed basis and did not carry much idle rented equipment and incurred machinery hiring expenses on such equipment. If we are unable to rent equipment from other suppliers as efficiently on as-needed basis as we currently do from Kanamoto, we may carry more idle rented equipment which are not rented out to our customers, which will have a material adverse effect on our gross profit margin and our results of operation in general.



## RISK FACTORS

- Other suppliers may not commit to ensure there will be sufficient supply of equipment to rent to us and make a minimum annual investment in such equipment, as Kanamoto agreed under the Kanamoto Cooperation Agreement. This may affect the number and types of equipment available to our customers, which may adversely impact on our strength of having a wide range of equipment which can be timely provided to our customers to fulfil their varying needs for equipment.
- Other suppliers may not provide the non-competition and non-solicitation undertakings that Kanamoto provided under the Kanamoto Cooperation Agreement. As a result of this, we may face increased competition, which may in turn affect our rental rates and results of operation.

**Our financial results for the year ending 31 March 2016 are expected to be significantly and adversely affected by the expenses in relation to the Global Offering.**

Our financial results for the year ending 31 March 2016 are expected to be significantly and adversely affected by the expenses in relation to the Global Offering. We had incurred listing expenses of approximately HK\$7.9 million for the six months ended 30 September 2015. The total estimated listing expenses in connection with the Global Offering is approximately HK\$31.8 million (based on the mid-point of the Offer Price range of HK\$0.675 per Offer Share and assuming the Over-allotment Option will not be exercised). By the completion of the Global Offering, we expect to further incur listing expenses of approximately HK\$23.9 million, among which an estimated amount of HK\$15.7 million is to be recognised as expenses and the remaining estimated listing expenses is expected to be charged to equity under the relevant accounting standards. Therefore, our financial results for the year ending 31 March 2016 will be significantly and adversely affected by the expenses in relation to the Global Offering.

**We are exposed to liabilities relating to environmental and health and safety laws and regulations that may result in our incurring liabilities, which could have a material adverse effect on our operating performance.**

Our operations are subject to comprehensive and frequently changing laws and regulations relating to environmental protection and health and safety. If we violate such laws or regulations, we may be required to implement corrective actions and could be subject to civil or criminal fines or penalties or other sanctions. Although expenses related to environmental compliance have not been material to date, we cannot assure you that we will not have to make significant capital or operating expenditures in the future in order to comply with existing or new laws and regulations or that we will comply with applicable environmental laws at all times. Such violations or liability could have a material adverse effect on our business, financial condition and results of operations.

## RISK FACTORS

**Our contracts with our customers are project based. There is no guarantee that our existing customers will engage us again in future construction projects.**

Our customers are mainly construction companies engaged in construction projects. Our contracts with customers are mostly project based and we receive periodic payments.

Our revenue may depend materially on a number of large scale construction projects in which a large number of our equipment is engaged and the progress of such projects, and may be materially affected by any termination or delay of such projects. When our customers complete the respective stages of the construction projects we are involved in, our engagements with them will terminate. There is no guarantee that our customers will continue to engage us for our services in future construction projects to a similar extent, or at all. Our customers may choose instead to rent or purchase construction equipment from our competitors for their future construction projects. If we cannot maintain our engagements by customers in the future, our business and operating results can be adversely affected.

**Delay in the commencement of public projects, which may be caused by factors such as political disagreements in relation to such projects, delay in approval of funding proposals due to political filibustering and objections or legal actions by the affected members of the public, and the occurrence of large scale demonstration or occupation activities may adversely affect our operations and results of operation.**

For years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, our rental income generated from public projects was 75.9%, 78.1%, 62.2% and 61.1% of our total rental income from our rental business, respectively. The delay in commencement of public projects may adversely affect the demand for our construction equipment and our results of operation.

Delay in the commencement of public projects may be caused by, among other things, political disagreements in relation to such projects, delay in approval of the funding proposals for public works due to political filibustering by law-makers and objections, protests or legal actions by affected residents or entities. Any large-scale protests or occupation activity may also delay the construction works to be carried out in the affected areas. Our engagement in public projects depend on the timing of the funding approval by the committees of the Legislative Council of Hong Kong, where filibustering by the members thereof has often led to delays in the passing of public works funding proposals in recent years. Our operations are located in Hong Kong and Macau, and any change of the political environment may also affect the economy and construction industry in the region, which may adversely affect our operations and results of operations.

The delay in the commencement of public projects may affect the utilisation of our equipment and our results of operation if we are not able to engage our equipment for other projects at the same or similar level. In addition to any delay in commencement, the uncertainty on the commencement the relevant projects also make it more difficult for us to make accurate planning for the demand, deployment, utilisation of our equipment, which may adversely affect our operations and financial performance.

## RISK FACTORS

**If we are unable to collect receivables from our customers, our operating results would be adversely affected.**

We face the risk that payments may not be paid to us on time and in full. As at 31 March 2013, 2014 and 2015 and 30 September 2015, our trade receivables were HK\$45.2 million, HK\$56.6 million, HK\$56.7 million and HK\$66.4 million, respectively, and our allowance for doubtful debts amounted to HK\$2.3 million, HK\$1.3 million, HK\$3.1 million and HK\$3.7 million respectively. There is no assurance that the financial position of our customers will remain healthy in the future and that we will be able to collect payments from our customers on time. If the financial position of any of our major customers deteriorates in the future, the risk of default on their payments to us will increase, which in turn will adversely affect our operating results and cashflow.

**Our rental fleet is subject to residual value risk upon disposition.**

The market value of used rental equipment depends on several factors, including:

- the market price for new equipment of a similar kind;
- the age of the equipment at the time it is sold;
- wear and tear on the equipment relative to its age;
- regional and domestic supply of and demand for such used equipment; and
- general economic conditions.

We record as gain or loss on disposal of equipment the difference between the sales price and the book value of a piece of equipment sold. If such sale prices or sales volume decline or fall below our projections, our results may be materially adversely affected.

**The cost of new equipment may increase, which may cause us to spend significantly more for replacement equipment, and in some cases we may not be able to procure equipment at all due to supplier constraints.**

The cost of equipment used in our rental equipment fleet could increase, due to factors beyond our control, such as inflation, complying with governmental regulations or increased material costs. Price increases could materially adversely affect our business, financial condition and results of operations.

While we can manage the size and aging of our fleet generally over time, eventually we must retire older equipment and either allow our fleet to shrink or replace the older equipment in our fleet with newer models. We will need to purchase additional equipment in order to supplement our current fleet.

We may not be able to procure all necessary replacement equipment on a timely basis since our suppliers may not be able to meet our timing demands. If demand for new equipment increases significantly, manufacturers may not be able to meet customer orders on a timely basis. As a result, we at times may experience long lead-times for certain types of equipment

## RISK FACTORS

and we cannot assure you that we will be able to acquire the types or sufficient numbers of the equipment we need to replace older equipment as quickly as we would like. Consequently, we may have to age our fleet longer than we would consider optimal or shrink our fleet, either of which could restrict our ability to grow our business.

**Our business performance is affected by our customers' preference between purchasing and rental of equipment as well as between purchasing new and used equipment.**

During the Track Record Period, our major customers are contractors in the construction sector. Our business performance and profitability may be adversely affected by our customers' preferences such as (i) whether to purchase or rent the equipment required for the projects; and (ii) if they decide to purchase the equipment, the choice between new and used equipment. These preferences may change according to the market conditions in the construction sector and the general availability of financing.

We may adjust our business operation and investment on our rental fleet based on market conditions or our expectation of any changes in market conditions, and if market conditions change or are different from our expectation, our operations, returns on our investments and our profits may be adversely affected.

In addition, based on changing demands of our customers, the types of equipment we rent to our customers may become obsolete, resulting in a negative impact on our operation financial condition, and our potential inability to sell the obsolete equipment in the used equipment market.

**Disruptions in our information technology systems could materially adversely affect our operating results by limiting our capacity to effectively monitor and control our operations.**

We rely on our information technology systems to monitor and control our operations to adjust to changing market conditions, including management of our rental fleet. Consequently, any disruptions in our information technology systems or the failure of these systems to operate as expected could, depending on the magnitude of the problem, impair our ability to effectively monitor and control our existing operations and improve our future sales efforts, and thereby materially adversely affect our operating results.

**We are exposed to foreign exchange risks.**

Payments made by us for the settlement of our purchases from suppliers are generally made in Hong Kong Dollars, Japanese Yen, Euro and US Dollars. Payments received by us from our customers are, on the other hand, mainly made in Hong Kong Dollars and MOP.

We have not adopted any long term hedging strategy in the long run. However, we constantly monitor our foreign exchange risk exposure and might enter into foreign exchange forward contract on a case-by-case basis. We are exposed to exchange rate fluctuations and such exposure may adversely affect our financial position.

## RISK FACTORS

**We may not be able to secure suitable premises for storage of our equipment within our expected timeframe and at a commercially reasonable price.**

We lease premises for storage of our equipment. There is no assurance that we can continue to lease our current yard and workshop premises when the relevant lease terms expire or required to be vacated. If we are unable to renew our existing leases, secure suitable new premises, or if there is sudden reduction in demand for our rental fleet, we may need to secure alternative or additional yard premises. As advised by our Hong Kong and Macau legal advisers, for two out of our five leased properties in Hong Kong and one out of our four leased properties in Macau, we have entered into lease agreements which the party whose rights to grant such sub-lease or lease (as applicable) to us are in doubt. Please see the section “Business — Properties” for details. If we are required to be vacated from these three properties, our Directors currently expect an aggregate relocation cost of HK\$700,000 and it would take around one to two month(s) for the relocation. As storage facilities and workshops have to be located on premises which meet zoning and permitted land use requirements, the identification and relocation time will generally take one to two month(s) time. However, we cannot guarantee that we will certainly secure suitable premises for our use. Such relocation time is estimated based on our Director’s past experience, but we cannot assure you that we will be able to secure suitable premises for our use within our expected timeframe and at a commercially reasonable price. We may have to offer and pay rent that is higher, or even significantly higher, than our expected rates in order to timely secure suitable premises for the storage of our equipment which meet zoning and permitted land use requirements. This may result in an adverse impact on our operation and financial results.

**Our success and business operations are largely dependent on certain key personnel and our ability to attract and retain talented personnel.**

Our success depends heavily on the continued services of our senior executives and other key employees. In particular, we rely on the expertise, experience and leadership of our executive Directors and our senior management, who play a vital role in our operation. Please see the section “Directors and Senior Management” for details.

If one or more of our senior executives or other key employees are unable or unwilling to continue in their present positions, we may not be able to replace them promptly, or at all, which may severely disrupt our business and affect our results of operations and future prospects.

**We derive all of our revenue in Hong Kong and Macau and any downturn in the Hong Kong and Macau economy could have a material adverse effect on our business and operating results.**

During the Track Record Period, all of our revenue was derived from our operations in Hong Kong and Macau. We believe that the revenue generated from Hong Kong and Macau will continue to represent all or a very substantial proportion of our total revenue in the near future. Any economic downturn or recession in Hong Kong and Macau could lead to decline in demand for our products or services and our overall business and operating results may be materially and adversely affected.

## RISK FACTORS

### **Conducting business in Macau involves certain economic and other risks.**

Some of our businesses are conducted in Macau. Conducting business in Macau involves certain risks not typically associated with investments in companies with operations outside of Macau, including risks relating to changes in Macau's and the PRC's political, economic and social conditions, changes in Macau governmental policies, changes in Macau laws or regulations or their interpretation, changes in exchange control regulations, potential restrictions on foreign investment and repatriation of capital, and changes in the rates or method of taxation. In addition, our operations in Macau are exposed to the risk of changes in laws and policies that govern operations of Macau-based companies.

Further, the exchange rate between the HKD and MOP is subject to changes due to, among other things, policies of the governments in the PRC, Hong Kong and Macau, as well as local and international economic and political developments. Any significant fluctuations in the exchange rates between Hong Kong dollars and Patacas may have a material adverse effect on our revenues and financial condition.

### **We are exposed to various risks relating to legal proceedings or claims that could materially adversely affect our operating results.**

We may become a party to legal proceedings or subject to claims in the normal course of our business. We could also be subject to potential litigation associated with compliance with various laws and governmental regulations, such as those relating to employment, health, safety and other regulations under which we operate.

Responding to claims and legal proceedings brought against us, or legal actions that we may initiate, can often be expensive and time-consuming and could divert our management's attention and resources and be disruptive to our normal business operations. Moreover, the results of complex legal proceedings are difficult to predict. The potential liability and costs arising from such claims or legal proceedings may not be covered by our insurance sufficiently or at all. Unfavourable outcomes from these claims and/or proceedings could materially adversely affect our business, results of operations and financial condition, and we could incur substantial liability and/or be required to change our business practices.

### **We plan to purchase new rental equipment with a significant part of the proceeds from the Global Offering. We cannot guarantee that such new equipment will be utilised to the extent we expect and it may also reduce the utilisation rate of our existing equipment. Our profitability may also be affected by the potential increase in depreciation expenses due to our investment in our rental fleet.**

We intend to use approximately HK\$50.0 million, or 71.2% of the estimated net proceeds to us from the Global Offering, for investment in rental equipment, as set out in details in the sections headed "Business — Our Strategies — Expansion of our Rental Equipment Fleet" and "Future Plans and Use of Proceeds". The overall utilisation rate for our owned equipment was 25.9%, 25.9%, 37.6% and 45.5% for the years ended 31 March 2013, 2014 and 2015, and the six months ended 30 September 2015, respectively. Our plan to purchase new equipment may reduce the utilisation rate of our existing equipment. There is no guarantee that the new equipment will be utilised at the rate we expect, due to factors such as changes in the economy



## RISK FACTORS

and decline in construction activities in Hong Kong and Macau, or changes in market demand for our rental equipment which may reduce the overall utilisation rate of our equipment fleet. In the event that the new equipment are not utilised as we expect, our results of operation may be adversely affected.

We depreciate our property, plant and equipment on a straight-line basis over their estimated useful lives. For more information on the relevant accounting policy, see Note 4 to the Accountants' Report as set out in Appendix I. As we continue to make significant investments in our equipment fleet, it is expected that additional depreciation expenses will be charged. If we are unable to utilize our new equipment at the rate we expect, the utilization rate of our equipment fleet, our net profit margin and results of operation may be adversely affected.

**We recorded net current liabilities during the Track Record Period and our unutilised banking facilities were HK\$55.0 million as at 31 January 2016. We cannot assure you that we will be able to raise the necessary funds by borrowing from financial institutions to finance our business, operations and capital expenditure.**

As at 31 March 2014, 2015 and 30 September 2015 and 31 January 2016, we recorded net current liabilities of HK\$0.5 million, HK\$11.6 million, HK\$22.8 million and HK\$31.7 million, respectively. Our net current liabilities position during the Track Record Period mainly resulted from purchase of equipment for expansion of our rental fleet. Please see further information on our net current liabilities position during the Track Record Period in the section headed "Financial Information — Liquidity and Capital Structure — Current assets and current liabilities" in this prospectus. As at 31 January 2016, being the latest practicable date for the purpose of liquidity disclosure in this prospectus, we had outstanding indebtedness of HK\$96.0 million, consisting of borrowings of HK\$78.9 million, obligation under finance lease of HK\$0.4 million and amount due to Ms. Chan of HK\$16.7 million. As at 31 January 2016, we had banking facilities of HK\$130.2 million in aggregate, of which HK\$75.2 million has been drawn down, and HK\$55.0 million were unutilised. We cannot assure you that we will be able to raise the necessary funds by borrowing from financial institutions to finance our business, operations and capital expenditure in the future. In the event that the financial institutions providing existing banking and credit facilities do not continue to extend similar or more favourable facilities to us and we fail to obtain alternative banking and credit facilities on reasonable terms, or at all, our business, financial condition and operating results may be adversely affected.

### RISKS RELATING TO THE GLOBAL OFFERING

**There has been no prior public market for our Shares and an active trading market for our Shares may not develop or be sustained.**

Prior to the Global Offering, no public market for the Shares existed. Following the completion of the Global Offering, the Stock Exchange will be the only market on which the Shares are publicly traded. We cannot assure you that an active trading market for the Shares will develop or be sustained after the Global Offering. In addition, we cannot assure you that the Shares will trade in the public market subsequent to the Global Offering at or above the Offer Price. The Offer Price for the Shares is expected to be fixed by agreement among the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us, and may not be



## RISK FACTORS

indicative of the market price of the Shares following the completion of the Global Offering. If an active trading market for our Shares does not develop or is not sustained after the Global Offering, the market price and liquidity of the Shares could be materially and adversely affected.

**The trading price of the Shares may be volatile, which could result in substantial losses to you.**

The trading price of the Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, the PRC, the United States and elsewhere in the world. In particular, the trading price performance of other companies in similar business may affect the trading price of the Shares. In addition, the performance and fluctuation of the market prices of other companies that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes for the Shares. Recently, a number of companies have listed their securities, or are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards companies listed in Hong Kong and consequently may impact the trading performance of the Shares. These broad market and industry factors may significantly affect the market price and volatility of the Shares, regardless of our actual operating performance.

In addition to market and industry factors, the price and trading volume of the Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our revenue, net income and cash flow could cause the market price of the Shares to change substantially. Any of these factors may result in large and sudden changes in the volume and trading price of the Shares.

**Since there will be a gap of several days between pricing and trading of the Offer Shares, holders of the Offer Shares are subject to the risk that the price of the Offer Shares could fall when the trading of the Offer Shares begins.**

The Offer Price of the Shares is expected to be determined on the Price Determination Date. However, the Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be a few business days after the pricing date. As a result, investors may not be able to sell or otherwise deal in the Shares during that period. Accordingly, holders of the Shares are subject to the risk that the price of the Shares could fall when trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

**The sale or availability for sale of substantial amounts of the Shares could adversely affect their trading price.**

Sales of substantial amounts of the Shares in the public market after the completion of the Global Offering, or the perception that these sales could occur, could adversely affect the market price of the Shares and could materially impair our future ability to raise capital through offerings of the Shares.

## RISK FACTORS

The Shares owned by the Controlling Shareholders and Kanamoto Japan are subject to certain lock-up periods. There can be no assurance that they will not dispose of these Shares following the expiration of the lock-up periods, or any Shares they may come to own in the future. We cannot predict what effect, if any, significant future sale will have on the market price of the Shares.

**Since the Offer Price of the Shares is higher than our net tangible book value per Share, purchasers of the Shares in the Global Offering will experience immediate dilution.**

If you purchase the Shares in the Global Offering, you will pay more for your Shares than our net book value on a per Share basis. As a result, investors of the Shares in the Global Offering will experience an immediate dilution in the net tangible asset value and the existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per Share of their Shares. In addition, holders of the Shares may experience a dilution of their interest if the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) exercise the Over-allotment Option or if we obtain additional capital in the future through equity offerings.

**The laws of the Cayman Islands relating to the protection of the interests of minority shareholders are different from those in Hong Kong.**

Our corporate affairs are governed by our Memorandum and Articles of Association and by the Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong. This may mean that the remedies available to our Company's minority shareholders may be different from those they would have under the laws of other jurisdictions. A summary of Cayman Islands Companies law is set out in Appendix III to this prospectus.

**Facts and statistics in the prospectus relating to the industry in which we operate may not be fully reliable.**

Some of the facts and statistics in the prospectus relating to the equipment rental industry in which we operate, including those relating to the Hong Kong and Macau economy and the construction equipment industry, are derived from information published by Hong Kong and Macau governmental departments or agencies which our Directors believe are reliable. However, our Directors cannot guarantee that the quality or reliability of such materials. Our Directors believe that the sources of the information are appropriate and have taken reasonable care in exacting and reproducing such information. They do not believe that such information is false or misleading in any material aspect or that any material fact has been omitted that would render such information false or misleading. The information in the section "Industry Overview" has been prepared based on the F&S Report and has not been independently verified by us, the Sole Sponsor, Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers and Co-lead Managers, and the assumption made in the F&S Report may be inaccurate or may not be realised.

## RISK FACTORS

**Forward-looking statements contained in this prospectus are subject to risks and uncertainties.**

This prospectus contains certain statements that are “forward-looking” and uses forward looking terminology such as “anticipate”, “estimate”, “believe”, “expect”, “may”, “plan”, “consider”, “ought to”, “should”, “would”, and “will”. Those statements include, among other things, the discussion of our growth strategy and the expectations of our future operations, liquidity and capital resources.

Purchasers of the Offer Shares are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include those identified in the risk factors discussed above. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our Company’s plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. We do not intend to update these forward-looking statements in addition to our ongoing disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange. Investors should not place undue reliance on such forward-looking information.

## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Listing, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

### **CONTINUING CONNECTED TRANSACTIONS**

We have entered into certain transactions with our connected persons which will constitute continuing connected transactions (the “**Transactions**”) of our Company under the Listing Rules after the Listing. We have applied to the Stock Exchange for, and the Stock Exchange has granted waiver from strict compliance with the relevant announcement requirements set out in Chapter 14A of the Listing Rules for the Transactions.

If any terms of the Transactions are altered or if our Company enters into new agreements with any connected persons in the future, our Company will fully comply with the relevant requirements under Chapter 14A of the Listing Rules unless our Company applies for and obtains a separate waiver from the Stock Exchange.

See “Continuing Connected Transactions” in this prospectus for further details of the Transactions.

## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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

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

### **PROSPECTUS ISSUED IN CONNECTION WITH HONG KONG PUBLIC OFFERING ONLY**

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering.

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and conditions set out herein and therein. No person has been authorised to give any information or make any representations other than those contained in this prospectus and the Application Forms and, if given or made, such information or representations must not be relied on as having been authorised by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Managers, the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Shares shall, 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 in this prospectus is correct as of any subsequent time.

### **INFORMATION ON THE GLOBAL OFFERING**

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

### **UNDERWRITING**

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants in the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to

## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

the International Offering is expected to be entered into on or around the Price Determination Date, subject to agreement on pricing of the Offer Shares between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us. The Global Offering is managed by the Joint Global Coordinators.

If, for any reason, the Offer Price is not agreed, the Global Offering will not proceed and will lapse. For further information about the Underwriters and the underwriting arrangements, please see the section headed “Underwriting” in this prospectus.

### RESTRICTIONS ON OFFER AND SALE OF SHARES

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

No action has been taken to permit an offering of the Hong Kong Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any 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 securities laws of such jurisdiction pursuant to registration with or an authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered and sold, and will not be offered or sold, directly or indirectly in the PRC or the United States.

### ELIGIBILITY FOR CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares on the Stock Exchange 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. You should seek the advice of your stockbroker or other professional advisor for details of those settlement arrangements as such arrangements will affect your rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time.

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

Our Company has applied to the Listing Committee of the Stock Exchange for the granting of the listing of and permission to deal in the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued pursuant to the exercise of the options granted pursuant to the Share Option Scheme).

No part of our share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought on the Stock Exchange or any other stock exchange as at the date of this prospectus. All the Offer Shares will be registered on the Hong Kong share register by the Hong Kong Share Registrar of our Company in order to enable them to be traded on the Stock Exchange.

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 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 or on behalf of the Stock Exchange.

## **HONG KONG SHARE REGISTER AND THE STAMP DUTY**

All Shares issued by us pursuant to applications made in the Hong Kong Public Offering will be registered on our register of members to be maintained in Hong Kong. Our principal register of members will be maintained by our principal registrar in the Cayman Islands, Codan Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

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

## **PROFESSIONAL TAX ADVICE RECOMMENDED**

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in or exercising any rights in relation to, the Shares. None of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding, disposition of, dealing in, or exercising any rights in relation to, the Shares.

## **OVER-ALLOTMENT OPTION AND STABILISATION**

Details with respect to the Over-allotment Option and Stabilisation are set out in the sections headed "Structure of the Global Offering — Over-allotment Option and Stabilisation" in this prospectus.



## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

### **PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES**

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

### **LANGUAGE**

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. However, the English names of certain Chinese names, entities, departments, facilities, certificates, titles, laws, regulations and the like are unofficial translations of their Chinese names and are included for identification purposes only, and if there is any inconsistency, the Chinese name prevails in such cases.

### **EXCHANGE RATE CONVERSION**

Solely for your convenience, this prospectus contains translations of certain RMB and MOP amounts into HKD at specified rates. You should not construe these translations as representations that the RMB and MOP amounts could actually be, or have been, converted into HKD amounts (as applicable) at the rates indicated or at all. Unless we indicate otherwise, the translations of RMB and MOP amounts into HKD have been made at the rate of RMB0.83 to HK\$1.00 and MOP1.03 to HK\$1.00, respectively.

### **ROUNDING**

Amounts and percentage figures, including share ownership and operating data in this prospectus, may have been subject to rounding adjustments. In this prospectus, where information is presented in thousands or millions, amounts of less than one thousand or one million, as the case may be, have been rounded to the nearest hundred or hundred thousand, respectively, unless otherwise indicated or the context requires otherwise. Amounts presented as percentages have been rounded to the nearest tenth of a percent, unless otherwise indicated or the context requires otherwise. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of the individual items.

### **WEBSITE**

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

## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

### DIRECTORS

Name	Address	Nationality
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#### *Executive Directors*

Mr. Lau Pong Sing (劉邦成)	Flat C, 2/F., Tower 5, The Regalia No. 33 King's Park Rise Kowloon Hong Kong	Chinese
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Ms. Chan Kit Mui, Lina (陳潔梅)	Flat C, 2/F., Tower 5, The Regalia No. 33 King's Park Rise Kowloon Hong Kong	Chinese
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#### *Non-Executive Director*

Mr. Kitagawa Ken (北川健)	Flat B, 46/F, Tower 6 38 Tai Hong Street Grand Promenade Sai Wan Ho Hong Kong	Japanese
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#### *Independent non-executive Directors*

Ir. Dr. Ho Chung Tai Raymond (何鍾泰)	Flat C, 12/F Perth Apartments 27 Perth Street Ho Man Tin Kowloon Hong Kong	Chinese
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Mr. Siu Chak Yu (蕭澤宇)	Flat C, 12/F, Blk 6 Pacific Palisades 1 Braemar Hill Road North Point Hong Kong	Chinese
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Mr. Li Ping Chi (李炳志)	18 Pak Lok Path Pristine Villa, Block 5, 8/F, Flat B, Sha Tin, New Territories, Hong Kong	Chinese
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For details of our Directors, please see the section headed "Directors and Senior Management" in this Prospectus.

## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

### PARTIES INVOLVED IN THE GLOBAL OFFERING

<b>Sole Sponsor</b>	BOSC International Company Limited 34th Floor Citibank Tower Citibank Plaza 3 Garden Road Hong Kong
<b>Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers</b>	BOSC International Company Limited 34th Floor Citibank Tower Citibank Plaza 3 Garden Road Hong Kong  Great Roc Capital Securities Limited Suite 3712 37/F West Tower, Shun Tak Centre 168–200 Connaught Road Central Hong Kong
<b>Co-lead Managers</b>	Ample Orient Capital Limited Room 902, 9th Floor Far East Consortium Building 121 Des Voeux Road Central Hong Kong  Finet Securities Limited 30th Floor Fortis Tower 77–79 Gloucester Road Wanchai Hong Kong  Oriental Patron Securities Limited 27th Floor Two Exchange Square 8 Connaught Place Central Hong Kong  Quam Securities Company Limited 18th Floor China Building 29 Queen's Road Central Hong Kong

## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

### **Legal advisers to our Company**

*As to Hong Kong law:*

Deacons  
5th Floor, Alexandra House  
18 Chater Road Central  
Hong Kong

*As to Macau law:*

Rato, Ling, Lei & Cortés — Advogados  
Avenida da Amizade  
Macau Landmark, Office Tower 23°  
2301–2302  
Macau

*As to Cayman Islands law:*

Conyers Dill & Pearman  
Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

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

*As to Hong Kong law:*

Paul Hastings  
21–22/F, Bank of China Tower  
1 Garden Road  
Central, Hong Kong

### **Auditors and reporting accountants**

Deloitte Touche Tohmatsu  
*Certified Public Accountants*  
35/F One Pacific Place  
88 Queensway  
Hong Kong

### **Compliance adviser**

BOSC International Company Limited  
34th Floor  
Citibank Tower  
Citibank Plaza  
3 Garden Road  
Hong Kong

### **Receiving bank**

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

## CORPORATE INFORMATION

<b>Registered office</b>	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Head office and principal place of business in Hong Kong under Part 16 of the Companies Ordinance</b>	Unit 15, 19/F Concordia Plaza 1 Science Museum Road Tsim Sha Tsui East Kowloon Hong Kong
<b>Company's website address</b>	www.aprentalshk.com <i>(information on this website does not form part of this prospectus)</i>
<b>Company secretary</b>	Mr. Wong Cheuk Man (王卓敏) (HKICPA, ACCA)
<b>Audit committee</b>	Mr. Li Ping Chi (李炳志) ( <i>Chairman</i> ) Ir. Dr. Ho Chung Tai, Raymond (何鍾泰) Mr. Siu Chak Yu (蕭澤宇)
<b>Remuneration committee</b>	Mr. Siu Chak Yu (蕭澤宇) ( <i>Chairman</i> ) Mr. Li Ping Chi (李炳志) Mr. Lau Pong Sing (劉邦成)
<b>Nomination committee</b>	Mr. Lau Pong Sing (劉邦成) ( <i>Chairman</i> ) Mr. Siu Chak Yu (蕭澤宇) Mr. Li Ping Chi (李炳志)
<b>Risk management committee</b>	Mr. Lau Pong Sing (劉邦成) Ms. Chan Kit Mui, Lina (陳潔梅) Mr. Wong Cheuk Man (王卓敏)
<b>Authorised representatives</b>	Mr. Lau Pong Sing (劉邦成) Flat C, 2/F., Tower 5, The Regalia No. 33 King's Park Rise Kowloon Hong Kong  Mr. Wong Cheuk Man (王卓敏) Unit 15, 19/F Concordia Plaza 1 Science Museum Road Tsim Sha Tsui East Kowloon Hong Kong

## CORPORATE INFORMATION

**Principal bankers**

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

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

**Principal share registrar and transfer  
office in Cayman Islands**

Codan Trust Company (Cayman) Limited  
Cricket Square, Hutchins Drive  
P.O. Box 2681,  
Grand Cayman KY1-1111  
Cayman Islands

**Hong Kong Share Registrar**

Computershare Hong Kong Investor Services  
Limited  
Shops 1712–1716, 17th Floor, Hopewell Centre  
183 Queen's Road East,  
Wan Chai  
Hong Kong

## INDUSTRY OVERVIEW

*This section contains certain information which is derived from a commissioned report, the F&S Report, prepared by Frost & Sullivan which is an independent third party. We believe that the sources of the information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, the information has not been independently verified by us, or any of our affiliates or advisors, nor by the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Managers, the Underwriters or any of their affiliates or advisors or any other party involved in the Global Offering other than Frost & Sullivan with respect to the information contained in the F&S Report. No representation is given as to the accuracy of the F&S Report. For the above reasons, information contained in this section should not be unduly relied upon. After taking reasonable care, our Directors confirm that there has been no adverse change in the market information since the date of the F&S Report up to the date of this prospectus.*

### INTRODUCTION

We are principally engaged in the rental of equipment and provision of value-added rental services to customers. Our equipment may be rented to customers on (i) non-operated basis (without the provision of operators), (ii) operated basis (where we provide our operators to operate the equipment), or (iii) with service basis with inclusion of equipment planning, transportation, installation, operation, refuelling and maintenance, disassembling and other technical support services.<sup>(1)</sup>

As part of our rental services, we supply equipment spare parts and provide other equipment related services such as technical support and transportation service for equipment. As part of our fleet management and full service capability, we sell our used rental equipment to customers from time to time, receive proceeds from such disposal. With our established equipment sales channels, we trade new and used equipment to match the requirements of customers and this also broadens our customer base and streams of revenue. Over 80% of our revenue was derived from rental services during the year ended 31 March 2015.

### OVERVIEW OF THE CONSTRUCTION INDUSTRY IN HONG KONG AND MACAU

#### Market Size of the Construction Industry

##### *Hong Kong*

Hong Kong's construction industry is generally classified into four different sectors: (1) civil works; (2) building works; (3) repair, maintenance, alteration and additional ("RMAA") works; and (4) E&M engineering.

<sup>(1)</sup> Each of our equipment rental contracts may include operating service and/or other services, and may not be clearly and easily classified into one of the above categories.

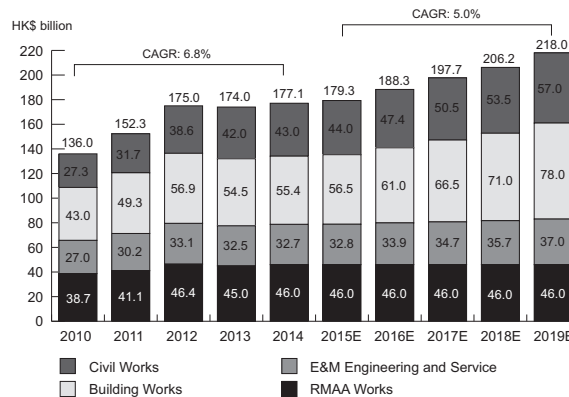
## INDUSTRY OVERVIEW

For civil works, construction equipment such as power and energy and material handling equipment are heavily relied on and the expenditure on equipment rental from civil works accounts for a relatively large proportion of the demand in the construction equipment rental market. For building works, in addition to power and energy, high reach and material handling equipment, lifting and crane equipment are intensively used. For E&M and RMAA works, the total expenditure on equipment rental is generally lower than civil and building works, where high reach equipment is the major type of equipment deployed.

Overall revenue from the construction industry in Hong Kong increased at a CAGR of 6.8% from 2010 to 2014, and is expected to grow at a CAGR of 5.0% from 2015 to 2019.

For civil works, the construction of the “Ten Major Infrastructure Projects” contributed to the growth in revenue with a substantial CAGR of 12.0% from 2010 to 2014, which is expected to grow at a CAGR of 6.7% from 2015 to 2019.

### Market Size in Terms of Revenue of Construction Industry by Sector, Hong Kong, 2010–2019E



Source: Hong Kong Construction Industry Council, Frost & Sullivan

Note:

The above forecast from 2015 to 2019 has been arrived with reference to the following major bases and assumptions:

1. The forecast of output value of construction industry is based on the estimation of economic climate and analysis of the progress of projects under construction and under planning as obtained from various sources including the Policy Address, other government documents and industry associations.
2. An expected growth of nominal GDP in Hong Kong from HKD2,386.4 billion in 2015 to HKD2,896.5 billion with a CAGR of 5.0% compared with a historical CAGR of 6.2% from 2010 to 2014.
3. Schedule of mega public projects in Hong Kong, in particular, the construction of the third runway of Hong Kong International Airport will begin in 2016 and over 90,000 public houses will be built during 2016 to 2020.



## INDUSTRY OVERVIEW

The following table sets forth the major infrastructure projects in Hong Kong expected to be completed in the coming years.

Project	Original expected completion date	Latest expected completion date
The Shatin to Central Link	2018/20	2019/21
The Tuen Mun Western Bypass and Tuen Mun Chek Lap Kok Link	2016	2018
Kai Tak Development	2021	2021
New Development Areas	2019	2019 (complete 1st phase)
Hong Kong-Shenzhen Airport Cooperation	Not available	Not available
Hong Kong-Shenzhen Joint Development of the Lok Ma Chau Loop	2020 (1st phase)	2020 (1st phase)
South Island Line	2015	2016
West Kowloon Cultural District	2015 (1st phase)	2016 (1st phase)
The Guangzhou-Shenzhen-Hong Kong Express Rail Link	2015	2018
Hong Kong-Zhuhai-Macau Bridge	2016	2017
Central-Wan Chai Bypass and Island Eastern Corridor Link	2017	2017
Widening of Tolo Highway and Fanling Highway	2018	2018
Tseung Kwan O-Lam Tin Tunnel	2021	2021
Central Kowloon Route	2023	2023
Third Runway of Hong Kong International Airport	2023	2023

*Source: Public information, Frost & Sullivan*

### Macau

Macau's construction industry recorded strong performance from 2010 to 2014, registering an overall CAGR of 35.6%. Such growth was driven by the enormous investment in the new casino construction projects, expanding tourism and hotel industry, as well as mega infrastructure construction projects supported by the Macau government.

In 2015, the market size of Macau's construction industry is estimated to experience a decrease mainly attributable to the decline in investment in casino constructions as well as the recession of private housing market in Macau. With the gradual and successive completion of infrastructure construction projects and mega casino projects in the coming years, the contribution from mega casino, hotel and similar entertainment projects to the growth of the overall construction market is expected to decrease. However, contribution from public projects are estimated to increase as a compensating driver to maintain the growth of the construction market. Output value of public projects in the coming years mainly comprises of (i) substantial investment in the New Urban Zone construction; and (ii) the increased input in mega infrastructure works under construction.

## INDUSTRY OVERVIEW

According to the 2015 Policy Address issued by the Macau government, the Macau government aims to build the New Urban Zone with 32,000 housing units in Zone A, administrative offices buildings in Zone B, and public transports facilities and coastal facilities in Zone C, D, and E. With the majority of reclamation work completed, construction works in Zone A and Zone B are expected to commence in the coming two years. Also, construction works in Zone C, D and E are scheduled to start before 2020.

### Status Quo of New Urban Zone, Macau SAR, 2015

District	Total Acreage (Hectare)	Development Orientation	Reclamation Description	Construction
A	138	Residential Area and Public Facility	<ul style="list-style-type: none"> <li>● Reclamation</li> </ul>	<ul style="list-style-type: none"> <li>● 32,000 residential units construction starts around 2016–2017</li> </ul>
B	49	Political-legal Area and Integrated Tourism	<ul style="list-style-type: none"> <li>● Reclamation done</li> </ul>	<ul style="list-style-type: none"> <li>● Governmental institutions and offices buildings construction starts around 2016–2017</li> </ul>
C	32	Low Carbon Community	<ul style="list-style-type: none"> <li>● To be reclaimed</li> </ul>	<ul style="list-style-type: none"> <li>● Macau Light Rapid Transit System (Phase 1) finished by 2020</li> <li>● Reclamation done and starts to be built by 2020</li> </ul>
D	58	Coastal Greenway	<ul style="list-style-type: none"> <li>● To be reclaimed</li> </ul>	
E1	53	Transportation Hub	<ul style="list-style-type: none"> <li>● Reclamation half done</li> </ul>	
E2	20	Transportation Hub	<ul style="list-style-type: none"> <li>● Reclamation done</li> </ul>	

*Source: Public information, Frost & Sullivan*

Mega infrastructure works under construction, such as Macau Light Rapid Transit (LRT) system, Cotai Healthcare Complex and etc., require continuous input and additional investment due to the extension of project duration. For example, Taipa section of Macau LRT Phase 1 is under construction and scheduled to be completed by 2019; Construction of Phase 1 East Macau section has not commenced but is expected to be completed by 2020. In addition, completion of Cotai Healthcare Complex is expected to be in 2019.

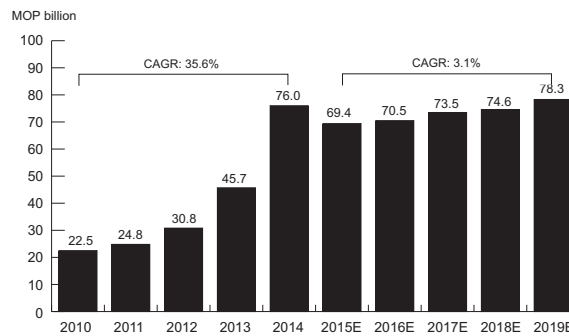
Apart from the development plan on the New Urban Zone together with infrastructure projects under construction, there are other public projects under planning but without a clear timetable. For example, projects such as LRT Phase 2 line, Fourth Cross-sea Channel, Undersea Tunnel connecting New Urban Zone A and B, are also taken into consideration as sustaining driver for the growth of construction market in Macau in the long run.

Therefore, the growth of Macau's construction market from 2015 to 2019 is estimated to substantially slow down as compared to the historical trend from 2010 to 2014, with a CAGR of 3.1% from MOP 69.4 billion in 2015 to MOP 78.3 billion in 2019.

## INDUSTRY OVERVIEW

All casino projects under construction are expected to be completed by 2019 according to the disclosed expansion plans and no more new casino construction is expected to be initiated in 2020 due to the saturated number of casinos and the government's control on the number of gaming tables. However, the Macau construction industry is expected to gradually recover subsequent to 2020 due to new construction of infrastructure and ancillary facility in New Urban Zone. Construction of ancillary infrastructure in New Urban Zone A will commence after the completion of the 32,000 residential units in 2020 and require successive capital investment over a long period of time. Meanwhile, both the main engineering work and ancillary facility construction in New Urban Zone B, C, D, E are estimated to grow after 2020.

### Market Size in Terms of Revenue of Construction Industry, Macau, 2010–2019E



Source: *Direcção dos Serviços de Estatística e Censos, Frost & Sullivan*

Note:

The above forecast from 2015 to 2019 has been arrived at by taking into account the following main factors:

1. Macau's macro economy, in particular the recent declining revenue from gaming and tourism industry since 2014 and the moderate and stable increase in population.
2. The number of properties under construction, under planning and expected completion as obtained from various sources, including the Statistics and Census (DSEC), Policy Address issued by Macau SAR Government, public information of relevant listed companies, public governmental document and media.
3. According to Macau Policy Address (2015), 32,000 residential units on the New Urban Zone A are expected to be completed before 2020; construction of governmental institutions and offices buildings planned on the New Urban Zone B are expected to commence in 2016; and constructions of transports facilities and coastal facilities in Zone C, D, and E are scheduled to start before 2020.
4. According to public information of major casino operators, there is no newly-started construction casino project in 2015; five under-construction casino projects are expected to be completed by the end of 2017; one new mega casino project is expected to be constructed from 2016 to 2019; and no new casino project is expected to be constructed in 2020.
5. More than 50% of Macau's historical construction market size (2010–2014) were related to the gross output value of casinos, hotel and similar entertainment facilities. The ratio is adjusted downward for 2015 to 2019 with the range between 40% and 50% due to the completion of mega casino projects, hotel and similar entertainment facilities.
6. Over 11 hotel projects will be completed during 2016–2019 as scheduled.

## INDUSTRY OVERVIEW

7. Approximately 30% of Macau's historical construction market size (2010–2014) is related to the gross value of public work. The ratio is adjusted upward for the forecast from 2015 to 2019 with the range of 40–50% due to construction of the New Urban Zone and mega public projects under construction.
8. The schedule of mega public projects Hong Kong-Zhuhai-Macau Bridge is expected to be completed in 2017; Macau Cotai Healthcare Complex is expected to be completed in 2019; and Macau Light Rapid Transit System is expected to be completed before 2020, according to public information.
9. The assumption that all the Macau property construction projects will be completed on time in accordance to the planned completion date.

The following table sets forth the major hotel projects in Macau expected to be completed in the coming years.

<b>Hotel Project Name</b>	<b>Commencement Date</b>	<b>Estimated Completion Date</b>
Wynn Palace	2012	2016
Macau Paris	2013	2016
Louis XIII	2013	2016
Jai Alai Palace	2013	2016
Roosevelt Macau	2013	2016
MGM Cotai	2014	2016
Palácio da Pelota Basca	2015	2016
Lisboa Palace	2014	2017
Karl Lagerfeld	2014	2017
Palazzo Versace	2014	2017
Galaxy Phase 3&4	2016	2019

*Source: Frost & Sullivan*

# INDUSTRY OVERVIEW

## OVERVIEW OF THE CONSTRUCTION EQUIPMENT RENTAL MARKET IN HONG KONG AND MACAU

We operate in the rental of construction equipment market in Hong Kong and Macau. For the year ended 31 March 2015, our income from rental services accounted for approximately 83.0% of our total revenue.

### Definition and Classification of Construction Equipment

Construction equipment consists of the machines and devices used in a construction project in both the private and public sector, including civil, building, RMAA and E&M works. Construction equipment can be classified based on its function into power and energy equipment, high reach equipment, material handling equipment, earth moving equipment, lifting equipment, foundation equipment, and others.

Category	Definition	Example
 Power and Energy Equipment	Devices provide energy/power for operation or illumination of the construction sites	Silent Diesel Generator, Diesel or Electric Air Compressor, Diesel Welder, Diesel Light Tower
High Reach Equipment	Mechanical devices used to provide temporary access for people or equipment in high inaccessible areas	Diesel/Electric Scissor Lift, Personal Lift, Articulated Boom Lift
Material Handling Equipment	Machinery used to raise heavy objects and move around	Diesel/Electric Forklift, Telehandler, Skid Loader, Crawler Loader, Wheel Loader
Earth Moving Equipment	Machinery primarily used to move earth in construction projects	Hydraulic Excavator, Crawler Loader, Wheel Loader, Vibration Roller
Lifting Equipment	Machinery used in construction sites to move heavy objects and used in various stages of construction projects	Crawler Crane, Mini Crawler Crane, All Terrain Crane
Foundation Equipment	Machinery primarily used in early stages of construction projects such as site formation	Casing Rotator, Hydraulic drilling Rig, Telescopic Clamshell
Other	Other equipment used in Construction works in both private and public sectors	Tunneling Equipment, Demolition Equipment, etc.

## INDUSTRY OVERVIEW

### Market Size of Construction Equipment Rental Market in Hong Kong and Macau

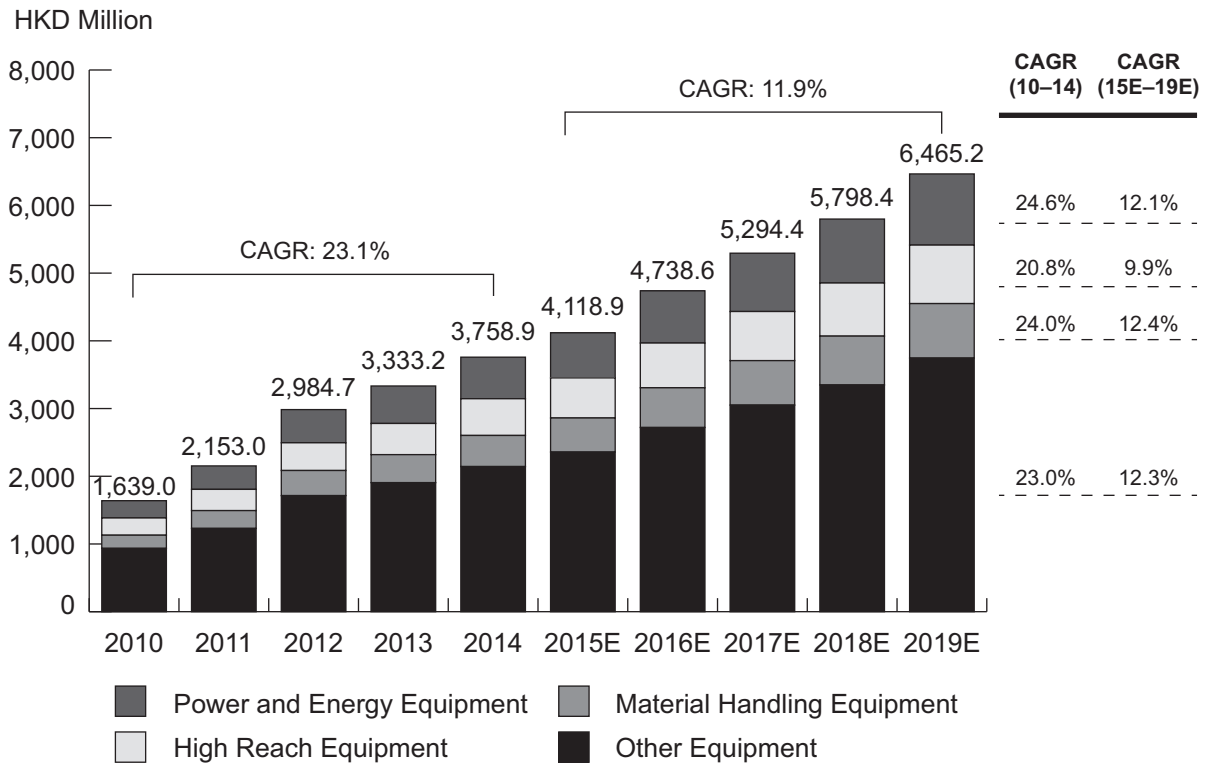
#### *Hong Kong*

From 2010 to 2014, total revenue for the construction equipment rental market increased from HK\$1,639.0 million to HK\$3,758.9 million at a CAGR of 23.1%, driven by strong demand from construction work in both private and public sectors. In particular, the construction of the “Ten Major Infrastructure Projects” since 2009 stimulated the demand for construction equipment. The rental revenue of power and energy equipment increased from HK\$254.7 million in 2010 to HK\$613.7 million in 2014, with a CAGR of 24.6%. The rental revenue of high reach equipment reached HK\$542.5 million in 2014, registering a CAGR of 20.8% from 2010 to 2014. The rental revenue of material handling equipment increased from HK\$194.3 million in 2010 to HK\$459.0 million in 2014, with a CAGR of 24.0%.

From 2015 to 2019, total rental revenue is expected to increase at a steady CAGR of 11.9%, reaching HK\$6,465.2 million in 2019 in line with the growing construction market. Continuous construction of the “Ten Major Infrastructure Projects” and new plans for large transportation infrastructural projects including MTR and 3rd Runway of Hong Kong International Airport (which are expected to commence within the following 5 years) will be the driving force of Hong Kong’s construction work. In particular, among the “Ten Major Infrastructure Projects” announced during the 2007–2008 Policy Address of Hong Kong to promote economic growth, majority of the projects are still under construction. Moreover, projects such as the Guangzhou–Shenzhen–Hong Kong Express Rail Link, Hong Kong–Zhuhai–Macau Bridge and West Kowloon Cultural District all encountered delay, which resulted in the expansion of budget and require further funding in the coming years. In addition, commencement of major infrastructural projects, such as the Third Runway of Hong Kong International Airport and Central Kowloon Route, will further increase the demand of construction works, contributing to a high-level of capital expenditure on construction industry and equipment rental market. In infrastructural projects, construction equipment is used more often, which will boost the demand for construction equipment. The industry experienced a rapid growth from 2010 to 2014 and is expected to experience a moderate growth in the future.

# INDUSTRY OVERVIEW

## Market Size of Construction Equipment Rental Market, Hong Kong, 2010–2019E



Source: Frost & Sullivan

**Notes:**

1. Market size of construction equipment rental market is estimated by summing up the rental revenue of each category of construction equipment, which is estimated by multiplying output value of construction works with respective percentage of equipment rental.
2. The above forecast from 2015 to 2019 has been arrived at by taking into account the following bases and major factors:
  - a. An expected growth of output value of construction industry from HKD179.3 billion in 2015 to HKD218.0 billion in 2019 with a CAGR of 5.0%, compared with a historical CAGR of 6.8% from 2010 to 2014, in view of the slowing economic growth;
  - b. an expected increase in the percentage of rental revenue in the construction industry from 1.5% in 2015 to 1.6% in 2019, compared with the historical increase from 1.3% in 2010 to 1.5% in 2014, in view of the increasing preference for rental; and
  - c. the historical pattern from 2010 to 2014 of about 20–30% of gross output of construction works came from civil works and about 30–40% came from building works. The same ratios are applied to the forecast from 2015 to 2019.

### Macau

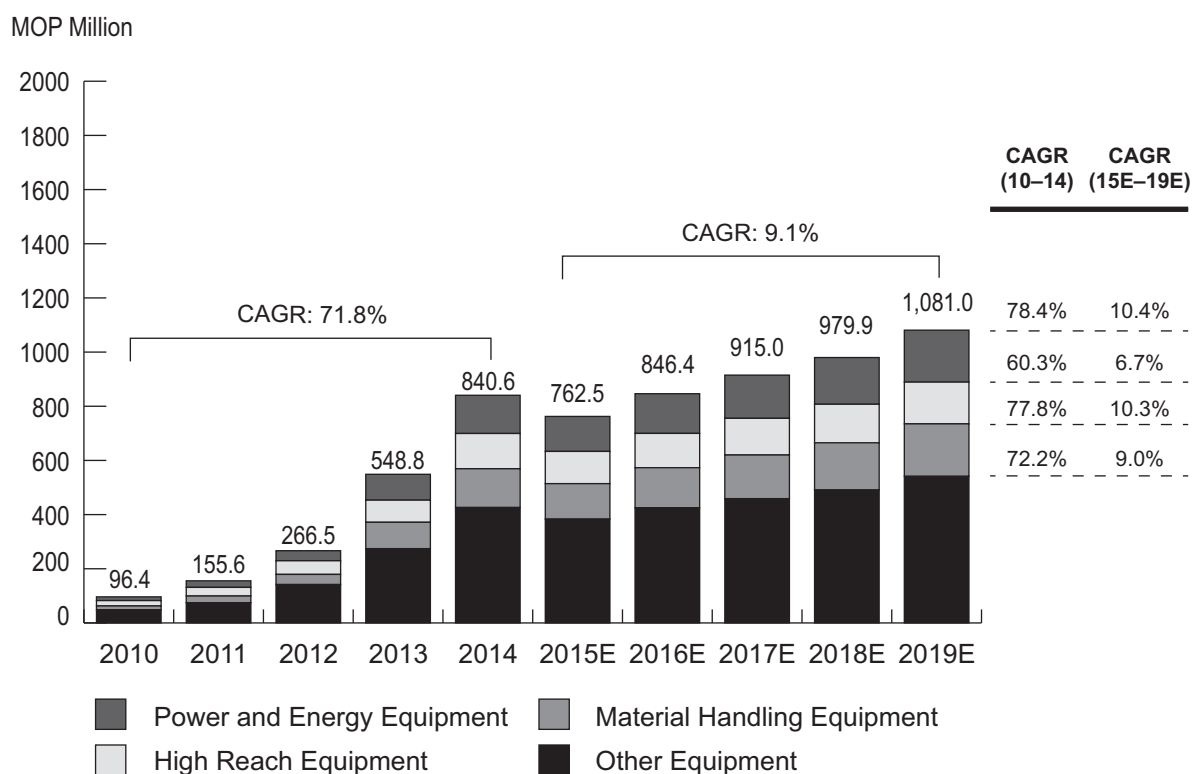
The rental revenue of construction equipment experienced dramatic growth from MOP96.4 million in 2010 to MOP840.6 million in 2014 driven by the large expansion of casinos and hotels since 2012 and enormous investment by government on infrastructural projects. The total rental

## INDUSTRY OVERVIEW

revenue achieved a faster growth than the overall construction market as the rental of construction equipment has been gaining popularity. The rental revenue of power and energy equipment increased from MOP13.9 million in 2010 to MOP141.1 million in 2014, registering a CAGR of 78.4%. The rental revenue of high reach equipment and material handling equipment has reached MOP130.2 million and MOP143.1 million in 2014 respectively, witnessing a CAGR of 60.3% and 77.8%.

According to the F&S Report, from 2015 to 2019, the total rental revenue of the construction equipment rental market is expected to continue its growth at a moderate rate of 9.1%, higher than the overall CAGR of the construction industry in Macau of 3.1%, which is mainly attributable to the increasing preference for rental by contractors as rental requires less capital commitment. Purchasing equipment requires a large amount of capital commitment and high storage cost. Furthermore, by renting equipment, the contractors will not be accountable for repair and maintenance of the equipment and will be able to rent new equipment according to their need. Large ongoing construction projects of casinos and hotels will maintain high capital expenditure during 2015 and 2016, and government sponsored projects of public residential house, transportation infrastructure and land reclamation are expected to fuel the continuous growth since 2017. The rental revenue of power and energy equipment will grow at a CAGR of 10.4% as large civil work will require enormous power supply. Rental of high reach and material handling equipment is expected to achieve a growth of 6.7% and 10.3% respectively.

### Market Size of Construction Equipment Rental Market, Macau, 2010–2019E



Source: Frost & Sullivan



## INDUSTRY OVERVIEW

### Notes:

1. The market size of the construction equipment rental market is estimated by summing up the rental revenue of each category of construction equipment, which is estimated by multiplying the output value of construction works with the respective percentage of equipment rental.
2. The above forecast from 2015 to 2019 has been arrived at by taking into account the following bases and factors:
  - a. An expected decrease in output value of construction engineering market in 2015 from MOP 76.0 billion in 2014 to MOP 69.4 billion in 2015. The market is expected to increase again to MOP 78.3 billion in 2019 from MOP 69.4 billion in 2015 with a CAGR of 3.1%, compared with a historical CAGR of 35.6% from 2010 to 2014;
  - b. an expected increase in the percentage of rental revenue in the construction industry from 1.1% in 2015 to 1.3% in 2019, compared with the historical increase from 0.4% in 2010 to 1.1% in 2014, in view of the increasing preference for rental; and
  - c. the historical pattern from 2010 to 2014 that about 60–70% of gross output of construction works came from building projects and about 5–15% came from public infrastructures. For the forecast from 2015 to 2019, the ratio for public infrastructures is adjusted upward to 15%–25% and that for building projects is adjusted slightly downward in view that building projects in public sector will compensate for the completed building projects of mega casinos.

### **DRIVERS OF CONSTRUCTION EQUIPMENT RENTAL MARKET IN HONG KONG AND MACAU**

For the year ended 31 March 2015, we generated 82.1% and 17.9% of our revenue from Hong Kong and Macau, respectively. Therefore, we are affected by the following drivers of the construction equipment rental market in Hong Kong and Macau.

#### **Cost Advantages of Rental for Contractors**

In general, for foundation construction, the gross profit margin and the budget are relatively high, which make contractors tend to complete construction projects by purchasing equipment. When it comes to subsequent building and engineering construction, the low profit margin leads to more equipment rental. With human capital cost and land expenditure increasing constantly, the profit gained from foundation construction is under compression, which makes it more common for contractors with high cost awareness to rent construction equipment. To summarise, these are the main reasons for more trading business converted into rental business in terms of construction equipment.

#### **Efficiency of Rental for Construction Projects**

Construction equipment rental means offering a complete set of service including on-site project management, worker arrangement, emergency response, equipment maintenance and so on instead of simply passing the equipment. This kind of service saves lots of human capital and management expenditure for contractors and guarantees their professional team with rich experience to evolve in construction as soon and efficiently as possible.

## INDUSTRY OVERVIEW

### **Reduced Quality Risk**

A professional construction equipment rental company with specialised management and personnel enables it to reduce the spot relative risk and thus reduce the risk of suspending the project due to breakdown of equipment. In addition, construction equipment for rental has quality guarantee, which means any repair and maintenance cost incurred during rental period will be borne by equipment rental companies.

### **Key Construction Project Planning**

Infrastructure construction in Macau has been the most crucial factor driving the demand of construction equipment rental market. Generally, key construction projects need to be constructed for a long period of time and sometimes delay in projects delivery is inevitable, which create new demand of construction equipment. Mega infrastructure projects include Hong Kong-Zhuhai-Macau Bridge, Macau International Airport (both of which we have participated in) and Guangdong-Macau Channel.

### **Advantages of Construction Equipment Rental**

Engineering equipment purchase involves a huge investment of capital. Therefore, construction contractors choose to rent construction equipment primarily to conserve capital and increase capital liquidity. Equipment rental is more cost-efficient because it allows contractors to perform with flexibility and to reduce storage cost and delivery cost caused by purchased equipment. Furthermore, construction equipment rental services nowadays have been enriched with additional maintenance support and equipment-related service. Based on the above factors, construction equipment rental is increasingly enjoying more popularity in the market.

## **OVERVIEW OF THE CONSTRUCTION EQUIPMENT TRADING MARKET IN HONG KONG AND MACAU**

As part of our equipment rental-related solution proposition and our fleet management, we sell our used rental equipment to match demands from customers. With our established equipment sales channels, we also engage in the trading of new and used equipment. Our income from trading of equipment and spare parts accounted for approximately 17.0% of our total revenue for the year ended 31 March 2015.

### **Market Size of Construction Equipment Trading Market in Hong Kong and Macau**

#### *Hong Kong*

Prompted by the announcement and commencement of major infrastructural construction projects during 2007 and 2008, the construction equipment trading market in Hong Kong reached its top in 2010. As the market demand for purchasing equipment fleet slowed down and the demand for rental fleet gradually increased from 2010 to 2014, trading of new construction equipment experienced a slight decline from 2010 to 2014.

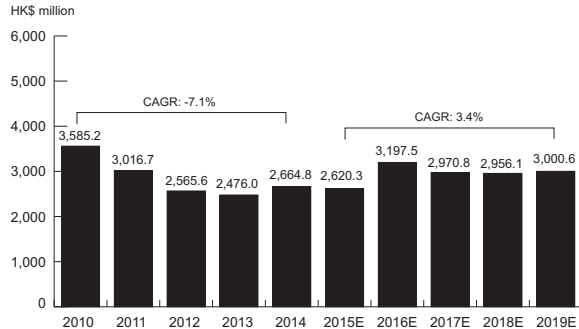
## INDUSTRY OVERVIEW

According to the F&S Report, from 2015 to 2019, the revenue of construction equipment trading service is expected to grow at a CAGR of 3.4%, due to the on-going construction of the infrastructural projects. The equipment trading revenue is expected to reach a short-term high in 2016 due to the expected commencement of construction of the third runway of the Hong Kong International Airport and subsequently from 2017 to 2019, the equipment trading revenue is expected to remain at a stable level.

### Macau

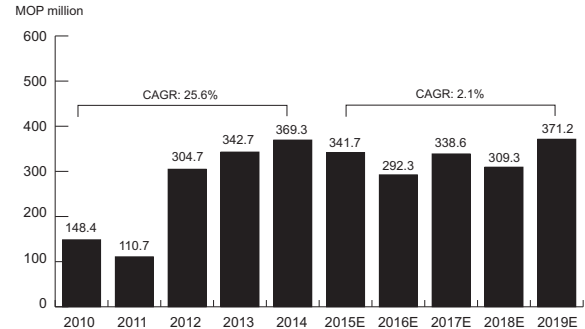
From 2010 to 2014, the revenue of construction equipment trading service in Macau has increased from MOP148.4 million to MOP369.3 million, along with the expansion of construction market in Macau. According to the F&S Report, the growth is expected to be stable during 2015 and 2019, with a CAGR of 2.1%.

**Market Size of Construction Equipment Trading Market, Hong Kong, 2010–2019E**



Source: Frost & Sullivan

**Market Size of Construction Equipment Trading Market, Macau, 2010–2019E**



Source: Frost & Sullivan

#### Notes:

The above forecast from 2015 to 2019 for the construction equipment trading market of Hong Kong has been arrived at by taking into account the following bases and assumptions:

1. The forecasted market size of construction equipment trading is estimated by the change of total construction equipment available plus disposals. Total construction equipment available is correlated to the gross output of construction works, which is expected to grow during 2015 and 2019 at a CAGR of 5.0%.
2. Average life for construction equipment is about 3 to 6 years.
3. The historical pattern of stable average trading price of construction equipment during 2010 to 2014 is applied to the forecast from 2015 to 2019.

The above forecast from 2015 to 2019 for the construction equipment trading market of Macau has been arrived at by taking into account the following bases and assumptions:

1. The forecasted market size of construction equipment trading is estimated by the change of total construction equipment available plus disposals. The total construction equipment available is correlated to the gross output of construction works, which is expected to decrease in 2015 and increase again gradually from 2015 to 2019 at a CAGR of 3.1%.
2. Average life for construction equipment is about 3 to 6 years.
3. The historical pattern of stable average trading price of construction equipment during 2010 to 2014 is applied to the forecast from 2015 to 2019.

## INDUSTRY OVERVIEW

### COMPETITIVE LANDSCAPE OF CONSTRUCTION EQUIPMENT RENTAL MARKET IN HONG KONG

#### Competitive Structure and Number of Competitors

Over 90 companies shared HK\$3.7 billion total rental revenue of the industry in 2014. According to Frost & Sullivan, most companies realised rental revenue over HK\$10 million and some of them even reached more than HK\$100 million. The aggregate market share of the top 5 players reached 20.6% in 2014.

#### Top Five Largest Market Players for Construction Equipment Rental Market in Hong Kong in 2014

Rank	Company	Revenue in 2014 (January to December) (HK\$ million)	Market Share
1	Competitor A	260.0	6.9%
2	Competitor B	186.7	5.0%
3	<b>Our Group</b>	<b>127.3</b> <sup>Note</sup>	<b>3.4%</b>
4	Competitor C	116.8	3.1%
5	Competitor D	83.0	2.2%
	Others	2,985.1	79.4%
	Total	3,758.9	100.0%

Source: Frost & Sullivan

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

The top five largest market players for construction equipment rental market accounted for approximately 20.6% of the total market by revenue, while the remaining construction equipment rental service providers accounted for approximately 79.4% of the total market by revenue in Hong Kong in 2014.

#### Top Five Largest Market Players for Energy and Power Equipment Rental Market in Hong Kong in 2014

Rank	Company	Revenue in 2014 (January to December) (HK\$ million)	Market Share
1	<b>Our Group</b>	<b>74.1</b> <sup>Note</sup>	<b>12.1%</b>
2	Competitor C	71.8	11.7%
3	Competitor D	64.8	10.6%
4	Competitor E	54.7	8.9%
5	Competitor F	20.7	3.4%
	Others	327.6	53.3%
	Total	613.7	100.0%

Source: Frost & Sullivan

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

## INDUSTRY OVERVIEW

The top five largest market players for energy and power equipment rental market accounted for approximately 46.7% of the total market by revenue, while the remaining energy and power equipment rental service providers accounted for approximately 53.3% of the total market by revenue in Hong Kong in 2014.

### Top Five Largest Market Players for High Reach Equipment Rental Market in Hong Kong in 2014

Rank	Company	Revenue in 2014 (January to December) (HK\$ million)	Market Share
1	Competitor G	53.9	9.9%
2	Competitor H	28.8	5.3%
3	<b>Our Group</b>	<b>21.6</b> <sup>Note</sup>	<b>4.0%</b>
4	Competitor C	19.5	3.6%
5	Competitor I	18.8	3.5%
	Others	399.9	73.7%
	Total	542.5	100.0%

Source: Frost & Sullivan

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

The top five largest market players for high reach equipment rental market accounted for approximately 26.3% of the total market by revenue, while the remaining high reach equipment rental service providers accounted for approximately 73.7% of the total market by revenue in Hong Kong in 2014.

It is common for market players in Hong Kong's construction equipment rental market to rent equipment from other suppliers, which are either manufacturers or rental companies, on a fixed term or on a as-needed basis. Some of the equipment suppliers and manufacturers in Hong Kong include the following:

Supplier	Details	Size of operation
Kanamoto	A company listed on the Tokyo Stock Exchange principally engaged in the rental of construction equipment, sale of steel products and rental of engineering workstations and computer peripherals	Recorded a revenue of approximately USD1,148 million for the year ended 31 October 2014 of which over 90% were from its construction equipment rental business, according to its annual report
Supplier B*	A Sweden-based international supplier of equipment, such as compressors, vacuum solutions and air treatment systems, construction and mining equipment, power tools and assembly systems, to more than 180 markets	According to its annual report, it recorded a revenue from rental services of approximately 2,754 million Swedish Kroners (representing approximately 2.7% of its total revenue) for the year ended 31 December 2015. The total value of its rental equipment amounted to 3,076 million Swedish Kroners as at 31 December 2015.
Supplier E*	A Japan-based manufacturer which supplies engine-driven generators, welders and air compressors	According to the annual report of its parent company, such parent company recorded a revenue of approximately USD435 million for the year ended 31 March 2015. One of the group members of such parent company is engaged in sales and rental service of industrial electrical machinery.

## INDUSTRY OVERVIEW

Supplier	Details	Size of operation
Supplier F*	A US-based designer and manufacturer of access equipment, such as boom lifts, scissor lifts and telehandlers	According to the annual report of its parent company, such parent company recorded a revenue of approximately USD6,098 million for the year ended 30 September 2015. The cash outflow for additions to equipment held for rental amounted to USD26.3 million for the year ended 30 September 2015.
Company X	A Japan-based rental services and sales of construction equipment company	Recorded a revenue of approximately 151,063 million Japanese Yen for the year ended 31 December 2014, according to its website

\* as disclosed under Business section

### Historical Rental Price Trend of Construction Equipment in Hong Kong

The rental price of construction equipment varies greatly due to the difference in machine category, model, capacity, condition and length of rental period etc. The rental price is usually provided on a daily, weekly or monthly basis and excludes transportation cost.

We were one of the top rental companies for power and energy equipment (such as generators), high reach equipment (such as scissor lifts) and material handling equipment (such as forklifts) during the Track Record Period and we derived a substantial portion of our rental income from these three product categories.

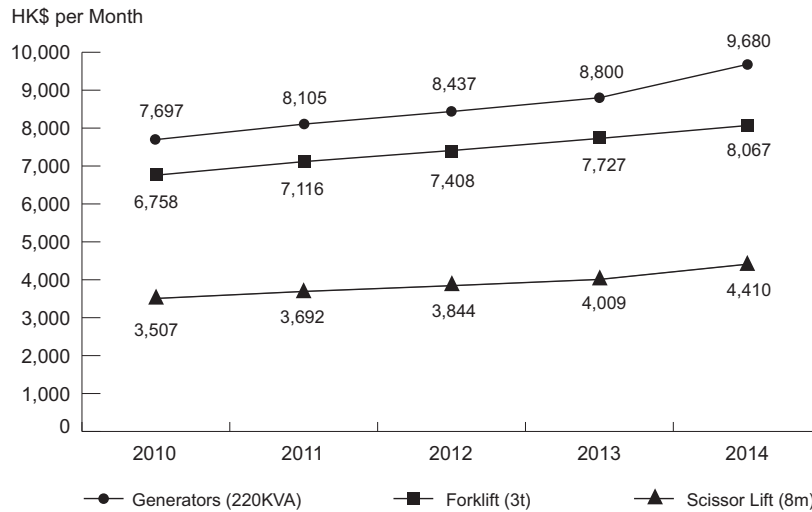
For generators of different capacities, the monthly rental price ranges between HK\$3,000 per month to over HK\$30,000 per month. The average monthly rental price of generator with capacity of 220 KVA, which is the most common type of generator by power range, increased gradually over the past 5 years and reached HK\$9,680 in 2014 as result of booming demand in the construction market.

For scissor lift, the monthly rental price has a range of HK\$2,000 to HK\$6,000, and the average price in 2014 of scissor lift with maximum height of 8 meters is HK\$4,410, increasing from HK\$3,507 in 2010.

Forklift is a representative example of material handling equipment in Hong Kong market. The widely used capacity for forklifts is 3 tons. The average rental price of forklifts with maximum capacity of 3 tons is HK\$8,067 in 2014, rising from HK\$6,758 in 2010.

## INDUSTRY OVERVIEW

### Historical Rental Price of Construction Equipment, Hong Kong, 2010–2014



Source: Frost & Sullivan

## COMPETITIVE LANDSCAPE OF CONSTRUCTION EQUIPMENT RENTAL MARKET IN MACAU

### Competitive Structure and Number of Competitors

In Macau's construction equipment rental market, over 60 companies shared the market of MOP840.6 million in 2014. Most companies realised rental revenue below MOP10 million. The aggregate market share of the top 5 players reached 14.3% in 2014.

#### Top Five Largest Market Players for Construction Equipment Rental Market in Macau in 2014

Rank	Company	Revenue in 2014 (January to December) (MOP million)	Market Share
1	<b>Our Group</b>	<b>35.4</b> <sup>Note</sup>	<b>4.2%</b>
2	Competitor D	26.4	3.1%
3	Competitor G	25.2	3.0%
4	Competitor J	20.6	2.5%
5	Competitor H	12.9	1.5%
	Others	720.9	85.7%
	Total	<u>840.6</u>	<u>100.0%</u>

Source: Frost & Sullivan

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

The top five largest market players for construction equipment rental market accounted for approximately 14.3% of the total market by revenue, while the remaining construction equipment rental service providers accounted for approximately 85.8% of the total market by revenue in Macau in 2014.

## INDUSTRY OVERVIEW

### Top Five Largest Market Players for Energy and Power Equipment Rental Market in Macau in 2014

Rank	Company	Revenue in 2014 (January to December) (MOP million)	Market Share
1	Competitor D	21.0	14.9%
2	<b>Our Group</b>	<b>9.3</b> <sup>Note</sup>	<b>6.6%</b>
3	Competitor G	9.2	6.5%
4	Competitor K	6.0	4.2%
5	Competitor L	5.4	3.8%
	Others	90.3	64.0%
	Total	141.1	100.0%

Source: Frost & Sullivan

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

The top five largest market players for energy and power equipment rental market accounted for approximately 36.0% of the total market by revenue, while the remaining energy and power equipment rental service providers accounted for approximately 64.0% of the total market by revenue in Macau in 2014.

### Top Five Largest Market Players for High Reach Equipment Rental Market in Macau in 2014

Rank	Company	Revenue in 2014 (January to December) (MOP million)	Market Share
1	<b>Our Group</b>	<b>21.5</b> <sup>Note</sup>	<b>16.5%</b>
2	Competitor G	15.7	12.0%
3	Competitor H	10.1	7.8%
4	Competitor I	8.3	6.4%
5	Competitor M	4.7	3.6%
	Others	69.9	53.7%
	Total	130.2	100.0%

Source: Frost & Sullivan

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

The top five largest market players for high reach equipment rental market accounted for approximately 46.3% of the total market by revenue, while the remaining high reach equipment rental service providers accounted for approximately 53.7% of the total market by revenue in Macau in 2014.



## INDUSTRY OVERVIEW

### ENTRY BARRIERS OF CONSTRUCTION EQUIPMENT RENTAL MARKET IN HONG KONG

#### Experienced and Professional Management

The market leaders in Hong Kong construction equipment rental market have already earned a high reputation over years. Local players with experienced and professional management are carrying out their business more efficiently and in high quality.

For new entrants, experience of the management is the core entry barrier of the construction equipment rental market as it takes time to build a track record of effectively managing the business.

#### Industry Track Record

Through good experiences, existing construction equipment rental companies are able to gain reputation and job reference from their clients. It is difficult for new entrants without any business reference and track record to compete with established players.

#### High Capital Requirements

Huge capital investment is needed in the construction equipment rental market by the companies at beginning of the business as a number of equipment have to be bought to support the equipment rental business. In addition, continuing capital investment is required to maintain a competitive equipment fleet and quantity of new equipment is an important factor for clients to consider in finding an equipment provider. The maintenance and repair of the equipment need capital investment as well.

### FUTURE TRENDS OF CONSTRUCTION EQUIPMENT RENTAL MARKET IN HONG KONG

#### Preference for Environmental-friendly Equipment

From controlling wastewater, noise pollution and emission from engineering construction equipment, the Hong Kong government has formulated a series of regulations to improving the environmental standard of construction sites because of the increasing requirement of the environmental protection. In the following five years, the Hong Kong government will promote a higher standard on the environmental protection of construction sites. As for the engineering construction equipment rental corporations, the Hong Kong Environmental Protection Department introduced QPME label system, emission control on NRMM and etc. Those companies offering old and obsolete equipment will definitely become less competitive. At the same time, as the total number of rental companies is shrinking, companies with high-quality equipment have more bargaining power when bidding the project.

#### Specialised Products

Contractors highly value rental companies with solid management offering quality service and specialised products. Rental companies with cranes, gen-set, lifts and so on will be in a unique competitive advantage. In the long run, such patterns will continue, which will promote the development of specialised construction equipment.

## INDUSTRY OVERVIEW

### **Professional Management and Expertise in Know-how**

It is essential for rental companies to become experts of certain equipment products and to become more efficient in controlling on-site service and properly maintain the equipment in order to be highly valued by contractors. In terms of certain rental equipment, factors including experience, management skills and problem-solved ability are highly considered by contractors.

### **SOURCE OF INFORMATION**

We commissioned Frost & Sullivan, an independent market research consulting firm, to conduct an analysis of, and to report on, the construction equipment rental market and construction equipment trading market in Hong Kong and Macau for the period from 2010 to 2019.

### **Research Methodology**

During the preparation of the F&S Report, Frost & Sullivan adopted a methodology of both primary research and secondary research, and obtained knowledge, statistics, information and industry insights on industry trends within Hong Kong and Macau Construction Equipment Rental and Trading Market. Primary research involved interviewing senior staff of our Company and industry participants (including 15 key market players of the construction equipment rental and trading industries in both Hong Kong and Macau), as well as authoritative third-party industry associations (such as the Hong Kong Construction Association, the Macau Construction Association, the Hong Kong General Building Contractors Association and the Hong Kong Construction Machinery Association). Secondary research involved reviewing the abovementioned interviews, website and annual reports or accounts of the various competitors, as well as official bureaus' databases, independent research reports and journals, industry bulletins, association reports and Frost & Sullivan proprietary database (which has been built up for several decades). Historical data for market size and competition analysis was obtained after conducting the above primary research and secondary research, as well as having cross-checking the findings from such primary research with that from such secondary research.

### **Assumption for Growth and Forecast of Market Size**

Forecast data was obtained from historical data analyses plotted against macroeconomic data as well as specific industry-related drivers. Frost & Sullivan developed its forecasts on the following bases and assumptions:

The social, economic and political environments being examined remain stable during the forecast period, which ensures the sustained development of the Hong Kong and Macau's construction equipment rental and trading market.

Frost & Sullivan has considered related industry key drivers that are likely to drive demand on Hong Kong and Macau's construction equipment rental and trading market in the forecast period, including mega infrastructure construction projects; local construction market demand; and policy and regulation on industries. Public infrastructure construction projects such as the

## **INDUSTRY OVERVIEW**

“Ten Major Infrastructure Projects” and the third runway project in Hong Kong and the land reclamation and public housing project in Macau will contribute to the stable growth of construction market.

We have extracted certain information from the F&S Report in this section, as well as other sections in this prospectus to provide our potential investors with a more comprehensive presentation of the industries in which we operate or in which we may operate in the future. We are contracted to pay a fee of RMB668,000 to Frost & Sullivan for the F&S Report.

### **NO ADVERSE CHANGE IN MARKET INFORMATION**

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

# REGULATORY OVERVIEW

## HONG KONG REGULATORY OVERVIEW

### Factories and Industrial Undertakings Ordinance

The Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong) (the “**Factories and Industrial Undertakings Ordinance**”) provides for the safety and health protection to workers in an industrial undertaking. Under the Factories and Industrial Undertakings Ordinance, every proprietor shall take care of the safety and health at work of all persons employed by it at an industrial undertaking by, so far as is reasonably practicable:

- providing and maintaining plant and work systems that do not endanger safety or health;
- making arrangement for ensuring safety and health in connection with the use, handling, storage and transport of articles and substances;
- providing all necessary information, instruction, training, and supervision for ensuring safety and health;
- as regards any workplace under the employer’s control, (1) maintaining the workplace in a condition that is safe and without risks to health; and (2) providing and maintaining safe access to and egress from the workplaces that are safe and without any such risks; and
- providing and maintaining a safe and healthy work environment.

A proprietor who contravenes these duties commits an offence and is liable to a fine of HK\$500,000. A proprietor who contravenes these duties 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), include: (i) the prohibition of employment of persons under 18 years of age (save for certain exceptions); (ii) the maintenance and operation of hoists; (iii) the duty to ensure safety of places of work; (iv) prevention of falls; (v) the duty to comply with miscellaneous safety requirements; and (vi) provision of first aid facilities. Contravening any of these rules is an offence and a contractor committing the relevant offence without reasonable excuse can be liable to a fine of up to HK\$200,000 and imprisonment of up to 12 months.

### Occupational Safety and Health Ordinance

The Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) provides for the safety and health protection to employees in workplaces, both industrial and non-industrial.

## REGULATORY OVERVIEW

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

- providing and maintaining plant and work systems that do not endanger safety or health;
- making arrangement for ensuring safety and health in connection with the use, handling, storage or transport of plant or substances;
- providing all necessary information, instruction, 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 work environment.

Failure to comply with 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 six months.

The Commissioner for Labour may also issue (i) improvement notice against contravention of this Ordinance or the Factories and Industrial Undertakings Ordinance requiring employer to remedy the contravention within specific period/refrain from continuing or repeating the contravention or (ii) suspension notice directing specific activity not to be undertaken, or the premises, plant or substance not to be used, while the notice remains in force. Failure to comply with such notices constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000 (plus a further fine of HK\$50,000 for each day if contravention is knowingly and intentionally continued) respectively and imprisonment of up to 12 months.

### **Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations**

Under the Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations (Chapter 59J of the Laws of Hong Kong) ("**FIU (LALG) Regulations**"), the owner of lifting appliances and lifting gear is required to ensure that:

- all lifting appliances shall be of good mechanical construction and free from patent defect;
- all lifting appliances be properly maintained;
- the arrangements for fixing and anchoring the appliance are adequate to secure its safety; and
- the lifting appliances are adequately and securely supported.

Failure to comply with such requirement constitutes an offence and such person shall be liable to a fine of HK\$200,000.

## REGULATORY OVERVIEW

It is also required that a lifting appliance be only operated by a person who:

- (i) has attained 18 years old;
- (ii) holds a valid certificate issued by the specified body (for cranes only); and
- (iii) in the opinion of the owner, is competent to operate the appliance by virtue of his experience.

Any person in contravention of such requirement shall be guilty of an offence and shall be liable to a fine of HK\$50,000.

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

### **NRMM Regulation**

Under the NRMM Regulation which took effect on 1 June 2015, states that 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. A person who fails to comply commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for 6 months.

From 1 September 2015 all regulated machines sold or leased for use in Hong Kong must be approved or exempted with a label issued by Environmental Protection Department of Hong Kong. Owners of existing non-road mobile machineries must apply for exemption during the six-month grace period between 1 June and 30 November 2015. Late application will not be considered. Starting from 1 December 2015 only approved or exempted non-road mobile machineries with a proper label are allowed to be used in specified activities and locations including construction sites, container terminals and back up facilities, restricted areas of the airport, designated waste disposal facilities and specified processes.

A person who sells or leases, or causes to be sold or leased, a regulated machine that is approved or exempted must ensure that:

- (a) the machine bears a label that (i) complies with the requirements specified in the regulation; and (ii) is painted or affixed on the machine and properly maintained in accordance with the requirements specified in the regulation; and
- (b) the information set out in the label conforms with the information provided to the relevant authority in support of the application for the approval or exemption of the machine.

## REGULATORY OVERVIEW

A person who fails to comply with the above commits an offence and is liable on conviction to a fine of HK\$50,000 and to imprisonment for 3 months.

### **Competition Ordinance**

The Competition Ordinance (Chapter 619 of the Laws of Hong Kong) (“**CO**”), entered into force on 14 December 2015, (i) prohibits conduct that prevents, restricts or distorts competition in Hong Kong, (ii) prohibits mergers that substantially lessen competition in Hong Kong; and (iii) provides for incidental and connected matters. The CO provides for the establishment of the Competition Commission with investigation powers and the Competition Tribunal with adjudicative powers. The CO includes, among other provisions, the First Conduct Rule, which prohibits anti-competitive conduct involving more than one party; and the Second Conduct Rule, which prohibits anti-competitive conduct by a party with substantial market power.

#### *The First Conduct Rule*

The First Conduct Rule provides that an undertaking must not (a) make or give effect to an agreement; (b) engage in a concerted practice; or (c) as a member of an association of undertakings, make or give effect to a decision of the association, if the object or effect of the agreement, concerted practice or decision is to prevent, restrict or distort competition in Hong Kong. Examples of serious anti-competitive conduct includes (i) fixing, maintaining, increasing, or controlling the price for the supply of goods or services; (ii) allocating sales, territories, customers or markets for the production or supply of goods or services; (iii) fixing, maintaining, controlling, preventing, limiting or eliminating the production or supply of goods or services; and (iv) bid-rigging practices.

#### *The Second Conduct Rule*

The Second Conduct Rule provides that an undertaking that has a substantial degree of market power in a market must not abuse that power by engaging in conduct that has as its object or effect the prevention, restriction or distortion of competition in Hong Kong. Factors which may be taken into account when determining whether an undertaking has such power includes the market share of the undertaking, the undertaking’s power to make pricing and other decisions; and any barriers to entry to competitors into the relevant market.

The CO prohibits the abuse of a substantial degree of market power and provides two examples of abusive conduct. An undertaking with a substantial degree of market power may commit an abuse by engaging in ‘predatory behaviour towards competitors’ or by ‘limiting production, markets or technical development to the prejudice of consumers’.

#### *Consequences of non-compliance with the CO*

Penalties that the Competition Tribunal may impose for contraventions of a competition rule include pecuniary penalties, awards of damages, and interim injunctions during investigations or proceedings. The maximum penalty in relation to a ‘single contravention’ can be up to 10% of the annual turnover obtained by the undertaking concerned in Hong Kong for each year the infringement lasted, with a maximum of three years. The Competition Tribunal may also order

## REGULATORY OVERVIEW

the disqualification of responsible directors for up to five years, award injunctions, declare agreements to be void, award damages, confiscate illegal profits, and order the payment of costs of the Competition Commission's investigation.

### **MACAU REGULATORY OVERVIEW**

There are currently no specific laws and regulations governing the leasing service of construction installations and equipment, whereby such activity is subject to the general rules of the Macau Civil Code and the Macau Commercial Code relating to the provision of services.

#### **Construction/Foundation Works and Safety**

The Construction/Foundation Works regime in Macau (Decree Law NO. 47/96/M, dated 26 August 1996) is mostly based on the General Construction Works Regulation, the Fire Safety Regulation, the Foundation Works Regulation, the Support Structures and Works on Land Regulation and the Safety and Action in Building Structures and Bridges Regulation.

The General Construction Works Regulation (Decree Law NO. 79/85/M, dated 21 August 1985, as amended by Administrative Regulation no. 24/2009, dated 3 August 2009) establishes administrative rules governing the process of approval of projects, licensing and supervision of construction works to be carried out in Macau. For the purposes of this Regulation, the construction of new buildings, as well as reconstructions, restorations, repairs, modifications or expansions in existing buildings, demolitions of buildings and any further works that determine a change in topography (in which can be included the land reclamations) and soil application infrastructures are considered "construction works". Pursuant to the said Regulation, a constructor, individual or corporate, must register with the Land, Public Works and Transport Bureau (abbreviated "DSSOPT" in Macau), in order to carry out construction works in Macau.

The Fire Safety Regulation (Decree Law NO. 24/95/M, dated 9 June 1995) provides a set of rules aimed at preventing and controlling fires. Under said Regulation, buildings should be compartmentalised by walls and floors that are fire resistant and hinder the spread of fire. Moreover, the construction material must have sufficient fire resistance in order to minimise the risk of collapse, particularly during the period of time required for the evacuation of people and the operations of firefighting.

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



## REGULATORY OVERVIEW

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

- (a) the necessary data for the implementation of the project must be collected, recorded and interpreted appropriately;
- (b) the foundation works must be designed by professionals with appropriate qualifications and experience;
- (c) there must be continuity and adequate communication between those involved in the data collection, the project and the construction;
- (d) there must be suitable supervision and quality control in factories, shipyards and construction sites;
- (e) the construction must be performed in accordance with the relevant specifications, and by personnel with appropriate knowledge and experience;
- (f) construction materials must be used as recommended in the Regulation or other normative documents and relevant specifications;
- (g) the work must be adequately maintained;
- (h) the work must be used for the purpose defined in the project.

The Safety and Action in Building Structure and Bridges Regulation (Decree Law NO. 56/96/M, dated 16 September 1996) establishes specific rules for verifying the safety of building structures, road bridges and footbridges, as well as other types of structures. The verification of the security of structures must be made in relation to limit states, by comparing them to the states to which the structure is driven by the performance of the actions to which it is subject. Limit states are defined as the state at which a structure is fully or partially impaired in its ability to perform the functions for which it was designed.

### **Labour, Health and Safety**

The Macau Labour Relations Law (Law no. 7/2008, dated 18 August 2008) of 2008 establishes the general regime of labour relations, containing various rules concerning employment contracts that range from, but are not limited to, general principles applicable to employment relationships, duties and obligations of the employer and the employee, probation period, employment contract requirements, employment contract for a fixed period, working hours, overtime, weekly time-off, annual leave, and compensation in case of contract termination without justifiable cause. The regulatory authority in charge of monitoring compliance with the labour, safety and insurance regime is the Labour Department, in general, and the DSSOPT with respect to construction sites, in particular.

## REGULATORY OVERVIEW

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

Non-compliance with the rules included in Law no. 21/2009 may constitute administrative offenses, sanctioned with fines and accessory sanctions of revocation of all or part of the authorisations to employ non-resident workers along with the prohibition to request new authorisations for a period of 6 months to 2 years, and/or criminal offenses related to illegal employment, sanctioned with effective incarceration periods, fines and/or accessory sanctions of (i) revocation of all or part of the authorisations to employ non-resident workers and the prohibition for a period of 6 months to 2 years to request new authorisations; (ii) prohibition, for a period of 6 months to 2 years, to participate in public tenders related to public works or public concessions; and (iii) prohibition, for the period of 6 months to 2 years, to receive any subsidies or benefits conferred by Macau public entities.

Regarding the working environment, an employer must comply with the rules provided under the General Regulation of Work Safety and Hygiene of Offices, Services and Commercial Establishments, (Decree Law NO. 37/89/M, dated 22 May 1989) in order to provide a safe and clean working environment for its employees. Failure to comply with those rules may result in the application of fines to the employer, according to the provisions set out by Decree Law no. 13/91/M (sanctions for the non-compliance with the General Regulation of working safety and hygiene of office, service and commercial establishments).

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

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

### **Environmental Protection**

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

## REGULATORY OVERVIEW

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

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

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

### **Requirements for Constructor/Subcontractor Registration in Macau**

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

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

## HISTORY AND DEVELOPMENT

### OVERVIEW

Our Company is the holding company of our Group companies and was incorporated under the laws of the Cayman Islands under the Companies Law on 11 June 2015. Our Company was incorporated as part of our Reorganisation in preparation for the Listing, the details of which are set out in “Our Reorganisation” in this section below.

Prior to the implementation of the Reorganisation, our Group was wholly-owned by Ms. Chan and Mr. Lau, two of our Controlling Shareholders. A series of restructuring steps have been carried out as part of our Reorganisation to transfer certain businesses and assets from Ms. Chan to our Company for the purposes of streamlining and consolidating our shareholding and corporate structures.

As a result of the Reorganisation, our Controlling Shareholders will control 75.0% of the voting rights in our Company immediately following the completion of the Capitalisation Issue and the Global Offering.

### OUR BUSINESS HISTORY

Prior to establishing our Group, our founders, Mr. Lau and Ms. Chan (spouses), had accumulated substantial experience in the construction equipment industry. Since 1983, Mr. Lau and Ms. Chan have been engaged in different aspects of the construction equipment industry in Hong Kong, Macau and the PRC, through businesses which were conducted with various business partners, including reputable manufacturers or suppliers of relevant construction equipment. Mr. Lau and Ms. Chan began by focusing on construction equipment and machinery trading, believing that the market for such services was thriving and prosperous back in 1983. However, after recession of the construction equipment and machinery markets in Hong Kong, Macau and the PRC in the early 1990's, Mr. Lau and Ms. Chan started exploring business opportunities in the construction equipment rental markets while maintaining their construction equipment and machinery trading business. From the 1980's until the early 2000's, Mr. Lau's and Ms. Chan's businesses participated in landmark construction projects in Hong Kong and Macau, including the construction of the Hong Kong International Airport, expansion of the mass transit railway system, and construction of the Hong Kong Disney Theme Park.

The origin of our Group dates back to 2004 when AP Macau was founded by Mr. Lau and Ms. Chan using their personal resources. Our Group began our business (through AP Macau and AP Rentals) with a primary focus on renting and leasing construction equipment, as well as associated spare parts and maintenance services in Hong Kong and Macau under the brands “AP”, “AP Group” and “Ajax Pong”. Subsequently, we have developed the brand “AP Rentals”. Under the family arrangement between Mr. Lau and Ms. Chan, despite Mr. Lau's contribution of his personal resources to our Group, Ms. Chan was previously the sole legal owner of AP Rentals, and Mr. Lau only held a nominal shareholding in AP Macau for the purpose of fulfilling the relevant Macau legal requirements. There had always been an understanding between Mr. Lau and Ms. Chan that Mr. Lau had a dominant beneficial interest in AP Rentals and AP Macau even before the transfer of the legal ownership of the 51% shareholding in our Company to Mr. Lau on 12 August 2015, and Ms. Chan had always exercised her voting rights in AP Rentals and AP Macau based on her consensus with Mr. Lau. It was an understanding between Ms. Chan and Mr. Lau that Mr. Lau's mentioned beneficial interests in AP Rentals and AP Macau

## HISTORY AND DEVELOPMENT

was in fact controlled on trust by Ms. Chan before the said transfer in August 2015. Mr. Lau and Ms. Chan have always been and still are acting in concert in respect of their interest in our Group and shall together be viewed as Controlling Shareholders of our Company. Mr. Lau and Ms. Chan, as the directors of AP Rentals and AP Macau, have jointly worked and will continue to jointly work together in controlling and managing our Group. Mr. Lau is mainly responsible for overseeing our overall operations management and business development, setting business strategies and directions and implementation of the same, while Ms. Chan is mainly responsible for overseeing our Group's administration and financial system and human resources arrangement.

Our Directors believe that Mr. Lau's and Ms. Chan's valuable insights and experiences have contributed to the success of our Group. This includes their insightful and astute business decisions made during our development, including foreseeing the demand for quality energy and power generators and high reach equipment in the industry, as well as establishing strategic relationships with quality suppliers at the right time. These have enabled us to efficiently cope with successive high demand projects.

Our Group owns over 1,300 pieces of equipment for rent. On top of our owned equipment, Kanamoto Japan and Kanamoto HK have, pursuant to the Kanamoto Cooperation Agreement, made available to our Group approximately 1,700 pieces of rental equipment, which we may rent in order to supply our customers on an as-needed basis. If certain rental equipment is not available from either our owned equipment or Kanamoto's available equipment, we may rent from other suppliers to support the needs of our customers.

Through our operating history, under the leadership of Mr. Lau and Ms. Chan, we have gained in-depth knowledge of the equipment rental market, and have established a large customer base and strong and strategic relationships with our major suppliers. We have thrived through many different conditions of the Hong Kong economy to become a leading equipment rental service company in Hong Kong, providing value-added services.

Building on our industry experience and knowledge, we are capable to provide equipment rental-related solutions to satisfy customers' different equipment needs. We provide value-added equipment planning consultation; rent a wide range of equipment to customers for different purposes; procure equipment from different suppliers for customers who decide to purchase equipment; provide on-site services such as equipment installation, operation, refuelling and maintenance, disassembling, technical support, transportation services, and supply spare parts when they are required; and we also provide sales channels for customers who decide to dispose of their used equipment. These equipment rental-related services are supported by our trained and experienced team of equipment operators and technicians.

Our Directors believe that, through years of quality services offered by our Group in the construction equipment rental industry in Hong Kong and Macau, we have successfully established a good reputation within the industry. We were the third largest company in the construction equipment rental industry in Hong Kong and the largest in Macau (with market share of 3.4% and 4.2%, respectively, based on revenue in 2014, according to the F&S Report). We are one of the few companies which offer a wide range of equipment, high-quality comprehensive rental services and effective equipment rental-related solutions in Hong Kong

## HISTORY AND DEVELOPMENT

and Macau; and in this way, we distinguish ourselves as a leader in a large industry which includes companies serving various market segments with different categories of equipment, according to the F&S Report. In particular, we were the largest rental provider of power and energy equipment and the third largest rental provider of high reach equipment in Hong Kong (with market shares of 12.1% and 4.0%, respectively, based on revenue in 2014, according to the F&S Report). In Macau, we were the second largest rental provider of energy and power equipment and the largest rental provider of high reach equipment (based on revenue in 2014, with market shares of 6.6% and 16.5%, respectively), according to the F&S Report.

To further strengthen our ability to provide a steady supply of construction equipment, we have invited one of our long term key suppliers, Kanamoto Japan, to be our pre-IPO investor. For details, please see the sub-section “Pre-IPO Investment” below.

### BUSINESS MILESTONES

The key events of the development of our business are summarised as follows:

2004	Incorporation of AP Macau
2006	AP Rentals commenced business operations
2008	Participated in various big scale hotel or resort projects in Macau including the Venetian, Galaxy and Wynn
2009	Entered into a partnership agreement with Kanamoto HK  Participated in the 2009 East Asian Games project in Hong Kong
2010	Participated in the Guangzhou-Shenzhen-Hong Kong Express Rail Link project (Hong Kong section)
2011	Participated in the Harbour Area Treatment Scheme project  Participated in the Hong Kong Cruise Terminal project  Participated in the West Island Line project of the mass transit railway system
2012	Participated in the South Island Line and Guangzhou-Shenzhen-Hong Kong Express Rail Link of the mass transit railway system
2013	Participated in the rock breaking and excavation process projects of Mass Transit Railway Corporation in Ho Man Tin and Admiralty
2014	Participated in the extension of the Shatin to Central Link of the mass transit railway system

## HISTORY AND DEVELOPMENT

- 2015      Participated in the Express Rail Link West Kowloon Terminus project of the mass transit railway system
- Entered into the Kanamoto Cooperation Agreement with Kanamoto Japan and Kanamoto HK
- Kanamoto Japan became our pre-IPO investor under the Pre-IPO Investment Agreement

### OUR GROUP COMPANIES

As at the Latest Practicable Date, our Group comprised our Company and three subsidiaries established in Hong Kong, Macau and the BVI. Details of our subsidiaries are set out below:

Name of subsidiary	Principal business activities	Date of incorporation	Date of commencement of business	Place of Incorporation	Share capital structure <sup>(1)</sup>
AP BVI	Investment holding	18 June 2015	18 June 2015	BVI	50,000 <sup>(2)</sup>
AP Rentals	Operation of our business in Hong Kong	30 April 1997	24 January 2006	Hong Kong	27,378,000
AP Macau	Operation of our business in Macau	22 December 2004	17 February 2005	Macau	25,000 <sup>(3)</sup>

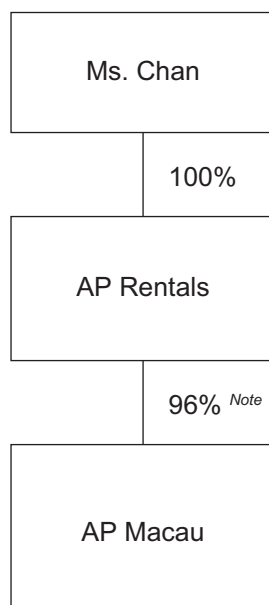
*Notes:*

- (1) The share capital structure of AP BVI and AP Macau refers to its issued share capital. The share capital of AP Rentals refers to its number of issued shares. As at the Latest Practicable Date, all share capital/shares under the "Share capital structure" column were fully paid-up.
- (2) AP BVI is authorized to issue 50,000 shares of US\$1.00 par value as at the Latest Practicable Date.
- (3) The registered capital of AP Macau is MOP25,000 as at the Latest Practicable Date.
- (4) All of our subsidiaries are private companies.

## HISTORY AND DEVELOPMENT

### OUR REORGANISATION

Set forth below is the shareholding and corporate structure of our Group immediately prior to the implementation of the Reorganisation:



*Note:* As required under the rules of the Macau Commercial Code (dated 3 August 1999), Article 358, a private limited liability company such as AP Macau must have, at all times, at least two shareholders. As such, AP Macau is held as to 4% by Mr. Lau on trust for AP Rentals.

Our Reorganisation, the purpose of which is to consolidate all of our subsidiaries into our Company in preparation of the Listing, involved the following steps:

- (1) ***Incorporation of our Company:*** On 11 June 2015, our Company was incorporated with limited liability in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 380,000,000 Shares of HK\$0.001 each. On the same day, one share was issued and credited as fully paid to our Company's initial subscriber, and was subsequently transferred to Great Club House.
- (2) ***Incorporation of AP BVI:*** On 18 June 2015, AP BVI was incorporated with limited liability in the BVI and is authorised to issue a maximum of 50,000 shares with a par value of US\$1.00 each. On the same day, one share was issued and credited as fully paid to our Company.
- (3) ***Share Swap of our Group companies:*** On 21 July 2015, Ms. Chan and our Company entered into the Share Swap Agreement to implement part of our Reorganisation, pursuant to which our Company issued 27,377,999 Shares to Great Club House, in consideration of which Ms. Chan transferred all her interests in AP Rentals, to AP BVI. In consideration of our instructions to Ms. Chan to transfer all her interests in AP Rentals to AP BVI, AP BVI issued and allotted one share in AP BVI to us.



## HISTORY AND DEVELOPMENT

- (4) **Transfer of Shares:** In preparation for the Listing, on 12 August 2015, for the sole purpose of formalising and reflecting the historical arrangement between Mr. Lau and Ms. Chan (whereby they jointly controlled our Group), Ms. Chan (through Great Club House) transferred 13,962,780 Shares to Mr. Lau (to be held by New Club House) at a nominal consideration of HK\$1.

Our Directors confirmed that there was no change in the actual control and respective roles of Mr. Lau and Ms. Chan due to such transfer and during the year ended 31 March 2015.

- (5) **Pre-IPO Investment:** On 13 August 2015, Ms. Chan (through Great Club House) transferred 2,488,934 Shares to Kanamoto Japan at par value, i.e. a consideration of HK\$2,488,934. Please see the sub-section “Pre-IPO Investment” below for further information.
- (6) **Increase Our Authorised Share Capital:** In contemplation of the Global Offering, the authorised share capital of our Company increased from HK\$380,000 divided into 380,000,000 Shares of HK\$0.001 each to HK\$10,000,000 divided into 10,000,000,000 Shares of HK\$0.001 each, pursuant to the resolutions of our Shareholders passed on 17 March 2016.

Following the completion of the above steps, our Company was held by Ms. Chan (through Great Club House), Mr. Lau (through New Club House), and Kanamoto Japan as to approximately 39.909%, 51%, and 9.091%, respectively, and our Company became the holding company of our Group companies.

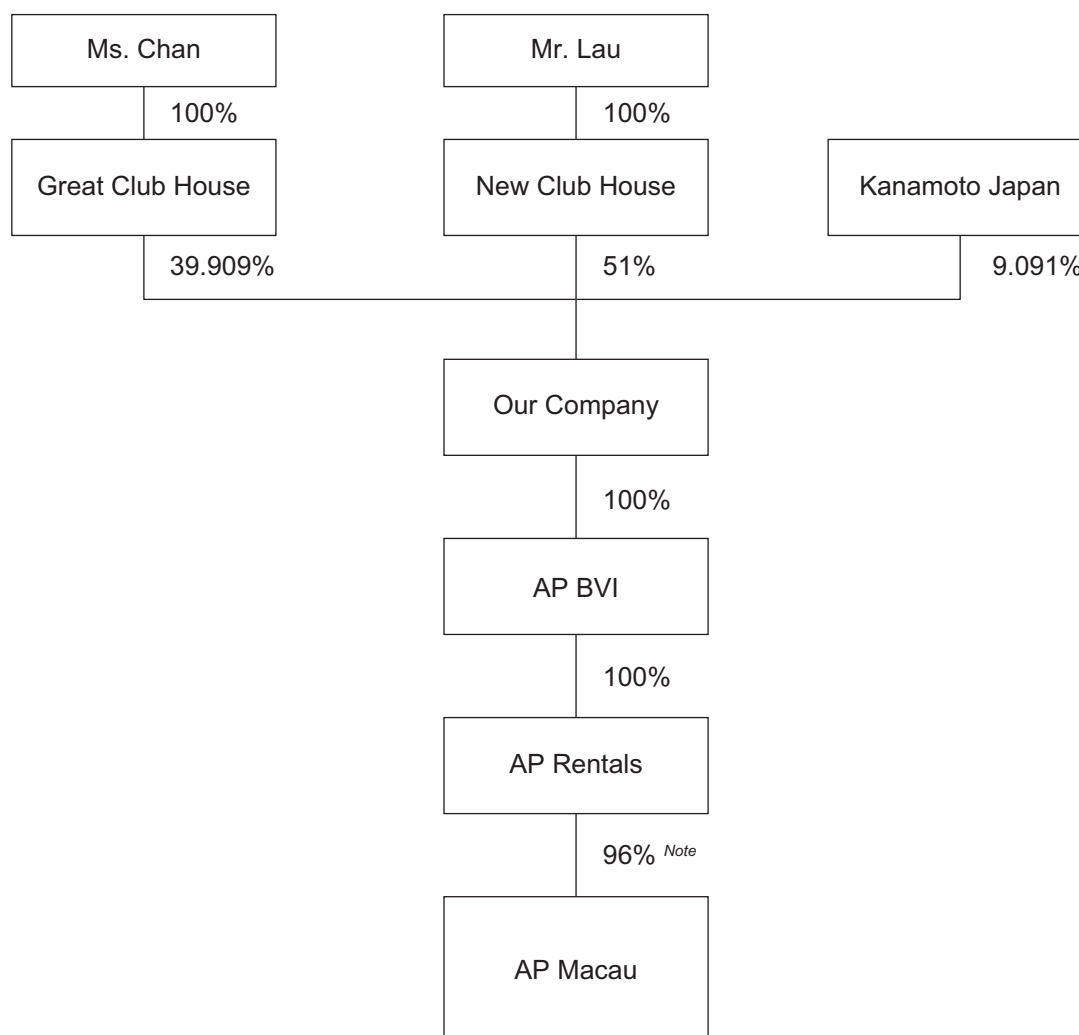
Mr. Lau and Ms. Chan, have interests in, or control of, construction equipment rental services business in the PRC and these operations were not transferred to our Group during our Reorganisation. For details, please see “Relationship with Controlling Shareholders — Independence from our Controlling Shareholders”.

### CAPITALISATION ISSUE

Pursuant to the resolutions of our Shareholders passed on 17 March 2016 (details of which are set forth in Appendix IV to this prospectus), conditional upon the share premium account of our Company being credited as a result of the issue of the Offer Shares pursuant to the Global Offering, our Directors were authorised to issue a total of 685,422,000 Shares credited as fully paid at par to our Shareholders whose names appear on our share register at the close of business on 17 March 2016 in proportion to their then respective shareholdings by way of capitalisation of the sum of HK\$685,422 standing to the credit of the share premium account of our Company, and such Shares to be issued pursuant to the Capitalisation Issue shall rank *pari passu* in all respects with the existing Shares.

## HISTORY AND DEVELOPMENT

The following chart illustrates our shareholding and corporate structure immediately following the completion of our Reorganisation, but prior to the Capitalisation Issue and Global Offering:



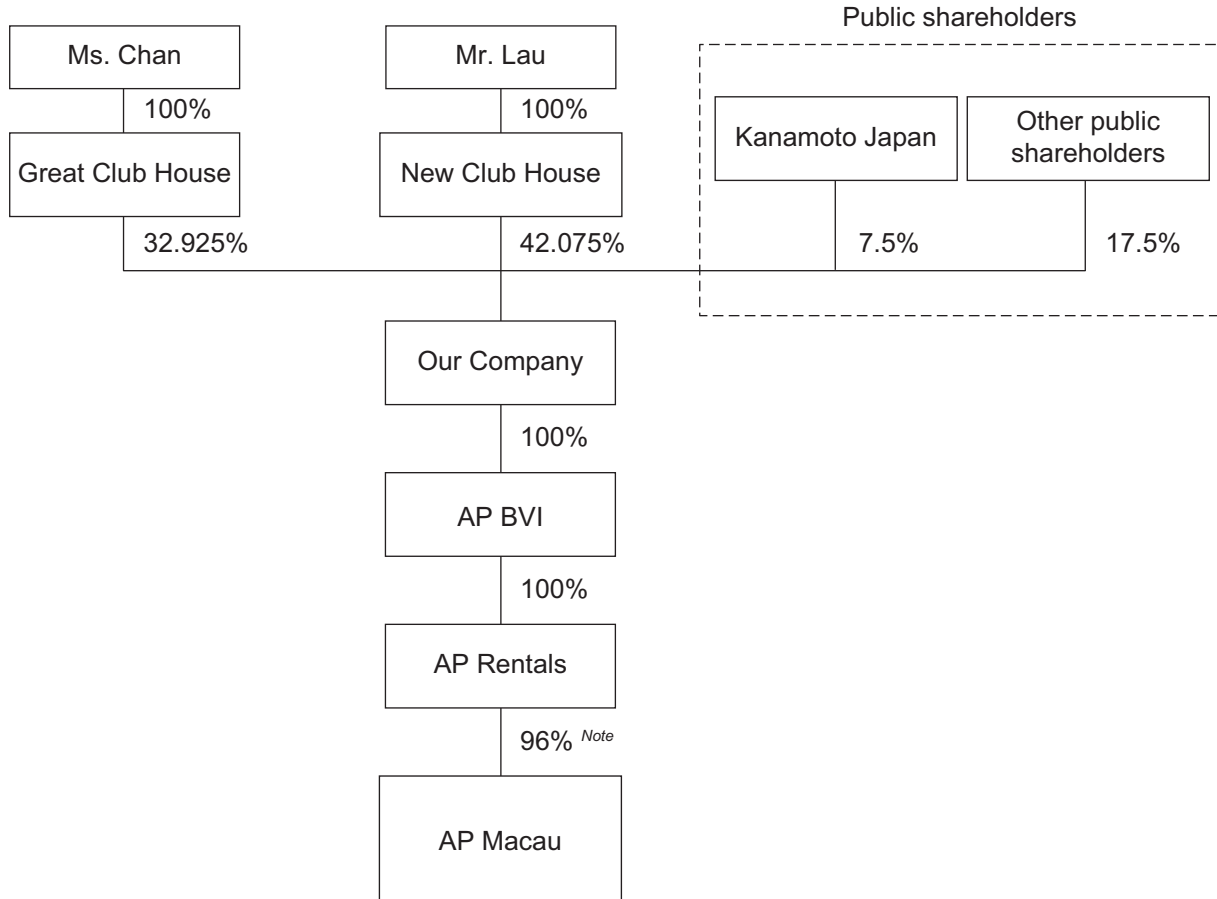
*Note:* As required under the rules of the Macau Commercial Code (dated 3 August 1999), Article 358, a private limited liability company such as AP Macau must have, at all times, at least two shareholders. As such, AP Macau is held as to 4% by Mr. Lau on trust for AP Rentals.

As at the date of this prospectus, with the exception of the Capitalisation Issue which will take place on the Listing Date, all steps of our Reorganisation have been properly and legally completed and settled and no approval is required from the relevant regulatory authorities.

# HISTORY AND DEVELOPMENT

## OUR CORPORATE STRUCTURE

The following chart sets forth the shareholding and corporate structure of our Group upon completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be issued upon any exercise of the Over-allotment Option):



*Note:* As required under the rules of the Macau Commercial Code (dated 3 August 1999), Article 358, a private limited liability company such as AP Macau must have, at all times, at least two shareholders. As such, AP Macau is held as to 4% by Mr. Lau on trust for AP Rentals.

## PRE-IPO INVESTMENT

On 13 August 2015, Great Club House, New Club House, Kanamoto HK and Kanamoto Japan entered into an agreement, where by Ms. Chan transferred 2,488,934 Shares (held through Great Club House) to Kanamoto Japan at a consideration of HK\$2,488,934. The consideration was funded by Kanamoto Japan from its own internal resources.

## HISTORY AND DEVELOPMENT

Details of the Pre-IPO Investment are set out in the table below:

<b>Parties</b>	Great Club House (Vendor) Kanamoto Japan (Investor) New Club House Kanamoto HK
<b>Background of the investor</b>	Kanamoto Japan is a listed company in the Tokyo Stock Exchange with a registered address at 1-19, Odori Higashi 3-chome Chuo-ku, Sapporo, Hokkaido, Japan. Kanamoto was the single largest supplier of our Group during the Track Record Period.
<b>Date of the relevant agreement</b>	13 August 2015
<b>Date of completion</b>	21 August 2015
<b>Vendor</b>	Great Club House
<b>The investment made</b>	2,488,934 Shares (being 9.091% interest in our Company as at 21 August 2015)
<b>Shareholding in our Company immediately upon Listing and after completion of the Capitalisation Issue and Global Offering</b>	Approximately 7.5% (without taking into account any Shares which may be issued upon any exercise of the Over-allotment Option)
<b>Consideration and payment date</b>	HK\$2,488,934, which was fully paid on 20 August 2015
<b>Basis of determination of the consideration</b>	The total consideration was determined at arm's length negotiations and equals the par value of the Shares subject to the investment
<b>Investment cost per Share</b>	HK\$1 per Share before the Capitalisation Issue (or HK\$0.0384 per Share taking into account the effect of the Capitalisation Issue and Global Offering but before the exercise of the Over-allotment Option)
<b>Discount to the Offer Price</b>	94.3% (based on the market capitalisation of our Company, assuming an Offer Price of HK\$0.675 per Offer Share, being the mid-point of the Offer Price range stated in this prospectus)

## HISTORY AND DEVELOPMENT

**Use of net proceeds and its utilisation by the vendor**

Net proceeds will be used by the vendor as its own general working capital and has not yet been fully utilised. None of the proceeds were received by our Company as we are not the vendor.

**Special rights granted to the investor**

*Appointment of director(s)*

Unless otherwise agreed by all Shareholders, Kanamoto Japan shall at all times be entitled to nominate one director of our Company and also one director of AP Rentals, with the right to request the removal or replacement of any such nominated director(s) so appointed and to nominate one director to fill any vacancy which may occur in such appointment once every calendar year.

*Put Option*

Kanamoto Japan shall have the put option to, at any time as from the date falling five years after 21 August 2015, require Great Club House and New Club House to purchase from it all (and not part only) of the Shares registered in its name at that time for a consideration of HK\$6,500,000 upon the service of a put option notice on Great Club House and New Club House.

**Lock-up of the investment made as part of the terms of the agreement**

5 years

**Share transfer restrictions on the investor**

Kanamoto Japan shall not sell or transfer or otherwise dispose of, or attempt to sell or transfer or otherwise dispose of any Share within three years of 21 August 2015. Upon expiry of the three-year period and subject to certain procedural conditions, Kanamoto Japan shall be entitled to transfer all (and not part only) of its Shares at that time provided that it shall offer to Great Club House and New Club House a first right of refusal to acquire all such Shares at HK\$6,500,000. If Great Club House and New Club House do not accept the offer with the stipulated timeframe of 30 days, Kanamoto Japan shall be entitled to sell, transfer or otherwise dispose of all (and not part only) of its Shares at that time to any third party.

## HISTORY AND DEVELOPMENT

### **Call option**

Great Club House and New Club House shall have the call option to, at any time as from the date falling one year after 21 August 2015, require Kanamoto Japan to sell to it or them all (but not part only) of the Shares registered in its name at that time for a consideration of HK\$6,500,000 upon service of a call option notice on Kanamoto Japan.

### **Compulsory transfer**

If:

- (a) Kanamoto Japan and/or Kanamoto HK is in material breach of any terms or undertakings of the Kanamoto Cooperation Agreement;
- (b) there is a change of control (i.e. the situation where the possession, directly or indirectly, of the power to (i) direct or cause the direction of the management and policies of the specified party or (ii) appoint a majority of the members of the board of directors or equivalent governing body of the specified party, changes from one person or entity to another) of Kanamoto Japan and/or Kanamoto HK;
- (c) Kanamoto Japan and/or Kanamoto HK or any other person takes any action or any legal proceedings have started or other steps have been taken for (i) Kanamoto Japan and/or Kanamoto HK to be adjudicated or found insolvent; (ii) the winding-up, liquidation or dissolution of Kanamoto Japan and/or Kanamoto HK; or (iii) the appointment of a liquidator, receiver, or similar officer of Kanamoto Japan and/or Kanamoto HK or of the whole or any part of Kanamoto Japan's and/or Kanamoto HK's business, undertaking, properties, assets, rights or revenues,

then either or both of Great Club House and New Club House may serve a notice on Kanamoto Japan specifying the event, of which Kanamoto Japan shall be deemed to have served a notice to dispose of all (and not part only) the Shares held by it to Great Club House and/or New Club House for a consideration of HK\$2,488,934.

## HISTORY AND DEVELOPMENT

<b>Termination of Rights</b>	The relevant rights stated in “Special rights granted to the investor”, “Share Transfer Restrictions on the investor”, “Call Option” and “Compulsory Transfer” will terminate upon the Listing.
<b>Public float for the purposes of Rule 8.08</b>	All Shares held by Kanamoto Japan will be considered as part of the public float.
<b>Strategic benefits to our Company</b>	Our Directors believe that the investment made by the investor, as shareholder of our Company, will bring strategic benefits to our Group by providing strategic and development cooperation opportunities and advice to our Group’s businesses.
<b>Share-based payments</b>	Not applicable.

### **Undertaking by us and our Controlling Shareholders to the Stock Exchange**

In relation to the compulsory transfer clause in the Pre-IPO Investment Agreement as set out above, each of our Controlling Shareholders and our Company has undertaken to the Stock Exchange that our Controlling Shareholders shall not exercise such right before Listing without the Stock Exchange’s prior written consent.

### **The Sole Sponsor’s confirmation**

After reviewing the terms of the Pre-IPO Investment, the Sole Sponsor has confirmed that the Pre-IPO Investment by Kanamoto Japan is in compliance with the Interim Guidance on Pre-IPO Investment HKEx-GL29-12 and the Guidance Letters HKEx-GL43-12 and HKEx-GL44-12 issued by the Stock Exchange.

## **OVERVIEW**

We are a leading equipment rental service company in Hong Kong, with the capability of providing a wide range of construction, E&M engineering and Event and Entertainment equipment, equipment rental-related solutions and value-added services to our customers. We were the third largest company in the construction equipment rental industry in Hong Kong and the largest in Macau (with market share of 3.4% and 4.2% in 2014, respectively, based on our rental income of HK\$127.3 million and MOP35.4 million<sup>(1)</sup>, according to the F&S Report). Because the equipment rental and trading industries in Hong Kong and Macau are highly fragmented and competitive, with many market leaders, our market position could change very quickly. The top five leading players in the construction equipment rental market in Hong Kong and Macau, including our Group, accounted for only 20.6% and 14.3% of the total market revenue in 2014, respectively, according to the F&S Report.

We are one of the few companies which offer a wide range of equipment, high-quality comprehensive rental services and effective equipment rental-related solutions in Hong Kong and Macau; through which we distinguish ourselves as a leader in a large industry which includes companies serving various market segments with different categories of equipment, according to the F&S Report. Our rental equipment principally cover power and energy equipment, high-reach equipment and material handling equipment. We were the largest rental provider of power and energy equipment and the third largest rental provider of high reach equipment in Hong Kong (with market share of 12.1% and 4.0%, respectively, based on revenue in 2014, according to the F&S Report). In Macau, we were the second largest rental provider of energy and power equipment and the largest rental provider of high reach equipment (based on revenue in 2014, with market share of 6.6% and 16.5%, respectively), according to the F&S Report.

Under the leadership of our founders, Mr. Lau and Ms. Chan, each of whom has over 33 years of experience in the industry, we possess in-depth knowledge of the equipment rental market in Hong Kong and Macau, and have established strong and strategic relationships with our major suppliers and a large customer base. We have grown through different phases of the Hong Kong economy to become a major player in the equipment rental industry and have participated in numerous large landmark construction projects. These include some of the Ten Major Infrastructure Projects in Hong Kong (namely the South Island Line, Shatin to Central Link, Tuen Mun-Chek Lap Kok Link and Tuen Mun Western Bypass, Kai Tak Development Plan, Guangzhou-Shenzhen-Hong Kong Express Rail Link, Hong Kong-Zhuhai-Macau Bridge and West Kowloon Cultural District). We also participated in the construction of the West Island Line, Liantang Boundary Control Point, Central — Wan Chai Bypass, Kwun Tong Extension Line, and several major casinos, hotels and resorts in Macau. We serve a diverse range of customers including leading construction, E&M engineering and Event and Entertainment companies in Hong Kong and Macau, and we have established stable and long-term relationship with our major customers.

We believe our principal strength is our capability to satisfy customers' different equipment service needs. For example, we provide equipment planning consultation; offer a wide range of equipment for rent; procure equipment from different suppliers for sale to customers who wish to

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<sup>(1)</sup> They represent our rental income for the financial year ended 31 March 2015.



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purchase equipment, provide on-site services such as equipment installation, operation, refuelling and maintenance, disassembling, technical support, transportation services and supply spare parts; and provide sales channels for customers who wish to dispose of their used equipment. These equipment rental-related services are supported by our trained and experienced team of equipment operators and technicians.

We seek to distinguish ourselves from traditional equipment rental companies by providing value-added services to help customers achieve their needs and resolve technical difficulties. With our extensive experience and technical expertise, we are able to provide a range of equipment planning and execution services including job planning and advice on selection and utilisation of equipment, with an aim to achieve higher efficiency, save cost and reduce environmental impact. We believe that our efficient and effective solutions in the planning and deployment for equipment often enable our customers to save substantial time and costs, and we have established our reputation for such value-added services and have garnered customers' confidence and loyalty.

We owned a strong rental fleet of over 1,300 units of equipment as at the Latest Practicable Date, including diesel generators, air compressors, diesel welders, light towers, articulated boom lifts, diesel and electric forklifts, telehandlers and cranes. Offering a wide variety of equipment, we are able to fulfil the needs of our customers during various stages of construction works, E&M installation as well as for use in large-scale entertainment and other events. We source our equipment from suppliers including reputable international equipment suppliers from Japan, the US and Europe. Our rental fleet comprises our owned equipment fleet and also equipment which we rent from our suppliers. Such suppliers include our Shareholder and strategic partner, Kanamoto, which is one of the leading construction equipment rental groups in Japan, for details of which please see the sub-section "Our Relationship with Kanamoto" below. We generated a substantial part of our rental income from our rented fleet of equipment, representing 81.9%, 73.3%, 68.6% and 63.2% of our rental income for the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, respectively. Our hiring expenses for renting equipment from our suppliers were HK\$58.5 million, HK\$67.1 million, HK\$65.2 million and HK\$32.2 million for the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, respectively, representing 55.0%, 43.0%, 41.0% and 40.2% of our cost of sales for the respective periods. In particular, we rent a significant part of our rental fleet from Kanamoto. Hiring expense for equipment we rented from Kanamoto were HK\$55.4 million, HK\$64.3 million, HK\$61.0 million and HK\$30.0 million for the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, respectively, representing 94.7%, 95.8%, 93.7% and 93.1% of our total hiring expenses for the respective periods.

We consider that, because of the large number of suppliers for construction equipment and our well-established connections with a number of such suppliers, in the event that the Kanamoto Cooperation Agreement is terminated, we will be able to purchase or rent the equipment we require from a number of alternative suppliers without any significant difficulty, but there may be material interruptions to our operations and business before we can secure supply and rental of equipment from other suppliers for the large quantity of equipment that we may

## BUSINESS

need, and it may take time for us to negotiate for purchase and rental terms with the other suppliers. Please see the section “Suppliers and Procurement — Kanamoto Cooperation Agreement — Termination” for further details.

We actively manage and optimise our fleet to identify the right time to invest in new equipment and dispose of used equipment, with an aim to enhance return on invested capital and maintain operational flexibility. Such decisions are made based on our extensive market research, market intelligence gathered through strong connections with major market players and our management’s business acumen.

We also place great emphasis on the quality and maintenance of our equipment in order to enhance operational safety, reliability and environmental friendliness, as well as to reduce downtime help our customers to save time and cost; and ultimately to gain customer confidence and loyalty.

As part of our equipment rental-related solution proposition and our fleet management, we sell our used rental equipment to match demands from customers. With our established equipment sales channels, we also engage in the trading of new and used equipment. This further enhances our capability to satisfy customers’ requirements on the one hand, and also strengthen our connection with equipment suppliers on the other.

Having long term and well-established relationships with many of our major suppliers, and leveraging on our large volume of purchase, we enjoy significant bargaining power in purchasing equipment at competitive prices, as well as extensive training and technical support services provided by such suppliers.

We believe that our equipment rental-related solution provision capability, strong and well-maintained equipment fleet, operating and technical service support and well-established relationship with major suppliers and wide customer base provide us with a solid platform for our further expansion and long-term growth.

### **OUR STRENGTHS**

#### **Ability to Provide Equipment Rental-related Solutions with Value-added Services**

Leveraging on our experience and scale of operations, we have the ability to provide equipment rental-related solutions, including equipment planning consultation, equipment rental, equipment procurement, on-site equipment installation, operation, technical support and transportation services, as well as equipment trading, which cover the value-added services that our customers generally require in relation to equipment rental from commencement to completion of their projects. Our capability to provide these solutions means that when our customers engage us to provide equipment, we have the capability to assist them in solving different planning, technical, logistic and operation problems, which provide them with greater efficiency than having to engage different consultants, technicians, operators and logistic companies.

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We seek to distinguish ourselves from traditional equipment rental companies by providing value-added services to help customers achieve their different needs and resolve technical difficulties, with an aim to achieve higher efficiency and reliability, save cost and reduce environmental impact. With our extensive experience and technical expertise, we are able to provide a range of equipment planning and execution services including job planning, advice on selection and utilisation of equipment, equipment transportation, installation, equipment operation, refuelling and maintenance, disassembling and other technical support. Our wide-range of equipment, solutions provision and value-added services are particularly important for large-scale construction projects, where substantial industry knowledge and experience is necessary.

We believe that given our in-depth knowledge and experience, we are able to provide such solutions efficiently and effectively, thereby help our customers to save substantial time and costs. We believe we have established our reputation for our ability to provide workable solutions in the planning and deployment for equipment and have thereby garnered customers' confidence and strengthened customer loyalty.

### **Wide Range of Well-maintained Rental Equipment**

We owned and offered a wide range of over 1,300 units of equipment as at the Latest Practicable Date, including power and energy equipment, high reach equipment, material handling equipment and other equipment such as lifting equipment, earth moving equipment, tunnelling equipment, foundation equipment, road and transportation equipment and demolition equipment. Rental of power and energy equipment has historically been our major strength, for which we have accumulated substantial technical expertise and capability. We expect that the demand for high reach equipment will remain strong in the construction and E&M engineering market as it replaces traditional scaffolding for safety and cost-saving reasons. Material handling equipment is required for many different types of works and is widely used to save manpower, including for construction sites, E&M engineering works, as well as Event and Entertainment activities.

In addition to our owned equipment, our rental fleet includes equipment which we rent from our suppliers, including our Shareholder and strategic partner, Kanamoto, which is one of the leading construction equipment rental groups in Japan. For further information, please see the sub-sections "Equipment Rented from Kanamoto and Other Suppliers" and "Our Relationship with Kanamoto" below. With our wide range of equipment, we are able to timely provide the suitable equipment to fulfil the different needs of our customers during various stages of construction works such as site formation, reclamation, foundation, tunneling, drainage, excavation, road maintenance, building, E&M engineering and steel structure erection, as well as for use in large-scale entertainment and other events. Timely availability and provision of the equipment required by customers is important in construction projects because of the significant costs and resources involved in such projects, and any delay in the progress of the projects may significantly affect the results of the contractors. Our large scale of operation provides us with the ability to purchase and maintain specialised equipment that may not be widely available, which provides us with significant competitive advantages over competitors with a lesser range of equipment.

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In addition to the size of our equipment fleet, we place great emphasis on its quality and maintenance to enhance operation safety, reliability and environmental friendliness. We source our equipment from suppliers including reputable international equipment manufacturers from Japan, the US and Europe. As at 30 September 2015, the age of over 60% of our equipment in our owned equipment fleet was less than five years. In terms of environmental friendliness, a factor which is increasingly being considered by customers, we have obtained the QPME identification for over 95% of our rental equipment to which the QPME system is applicable, and we have filed application for all our equipment which are subject to the NRMM Regulation, and have obtained the NRMM label for approximately 99.6% of such equipment as at the Latest Practicable Date.

We regularly inspect and service our equipment to ensure they are well-maintained and available in good condition when they are needed by customers. Active equipment repair and maintenance increases useful life, utilisation and also resale value. During the Track Record Period, we realised what we believe to be favourable sales prices for our used equipment and were able to dispose some of our used equipment above their net book value, thus, recording a gain on disposal of our equipment.

We believe that our focus on equipment quality, safety and reliability, coupled with our strong maintenance program, could reduce equipment downtime, improve efficiency and help our customers save time and cost.

### **Effective and Flexible Fleet Management and Optimisation Based on In-depth Market Research and Experience**

We strive to adopt an effective and flexible fleet management strategy that aims to optimise the size and composition of our equipment fleet to adapt to changing market conditions and trends. Fleet management refers to the processes of purchasing, dispatching, maintaining and selling equipment, and is one of the most critical elements for equipment rental companies. We aim to manage our equipment fleet with our management expertise to increase our returns on invested capital and maintain operational flexibility, by identifying the right time to invest in new fleet assets and dispose of used equipment.

We strive to be a market leader in introducing new types of equipment to gain first-mover advantage and to timely phase out and dispose of obsolete equipment. We make our fleet management decisions based on active monitoring of market environment, our market research, industry experience and market intelligence that we gather through our strong connections with leading market players, and the business acumen of our management.

Our fleet management is assisted by our information system, with which we continuously monitor the profitability of our equipment, which is tracked and evaluated on a number of performance criteria. We sell used equipment based on such information and invest in new equipment with an aim to manage repair and maintenance costs and optimise the size and composition of our fleet to adjust to changes in demand for specific rental equipment.

We selectively purchase and maintain our owned equipment after detailed consideration to ensure satisfactory return in terms of rental income and resale value.

### **Effective Cash Flow Management to Enhance Return on Capital and Flexibility**

We adopt and aim to maintain an effective cash flow management strategy for our rental equipment fleet investment and management in order to enhance our returns on invested capital and maintain operational flexibility. For the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, our net cash flow generated from operating activities were HK\$42.9 million, HK\$71.8 million, HK\$63.3 million and HK\$34.6 million, respectively, and we generated net profits of HK\$35.3 million, HK\$40.1 million, HK\$42.9 million, HK\$18.5 million, respectively. During the Track Record Period, we increased the purchases of our owned rental equipment and our total assets had increased accordingly. The net book value of our property, plant and equipment increased 3.5 times from HK\$47.2 million as at 31 March 2013 to HK\$163.5 million as at 30 September 2015 and our total assets increased 2.5 times from HK\$106.3 million as at 31 March 2013 to HK\$262.4 million as at 30 September 2015. Due to the significant increase in total assets, our return on assets had shown a downward trend. After adjusting for listing expenses of HK\$7.9 million for the six months ended 30 September 2015, our net profit for that period would be HK\$26.4 million. Based on such adjusted profit, our return on assets would be 20.1% (on an annual basis) which is similar to that for the year ended 31 March 2015.

We constantly monitor the utilisation and profitability of our equipment and sell used equipment and invest in new equipment with an aim to manage repair and maintenance costs and to optimise the size and composition of our fleet to adjust to changes in demand for specific rental equipment.

Furthermore, our rental fleet includes, in addition to our owned equipment, a sizable fleet of equipment which we can rent with exclusivity from our suppliers including our Shareholder and strategic partner, Kanamoto, which reduces the amount of capital investment that we have to make on purchasing equipment. For further information, please see the sub-section “Our Relationship with Kanamoto” below. Our fleet purchase investments are discretionary and we have the ability to temporarily defer capital expenditures or sell used rental equipment to manage cash flow.

We believe our active and effective asset management provide us with operational flexibility and allow us to continue to generate cash flow in different market conditions.

### **Professional Operational and Technical Support for Equipment Services**

We place significant emphasis on the services provided by our operation and technical support team. We can provide technical staff to service equipment in a timely manner to ensure our customers are provided with fully operable equipment when needed. We believe that our ability to provide technical support services and skilled equipment operators is an important advantage as customers outsource their equipment operation needs.

Our operational and technical support services are provided in Hong Kong by our large team of experienced and trained operators and technicians with relevant technical background and experience, some of whom have been working with us for over ten years. We place emphasis on investment in our human capital and in the training and retention of our staff, as we believe that they are vital to our long term success.

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Consistent and quality service of our staff is important for effective execution and building up our reputation and customer relationships. We therefore exercise control over their service quality by providing all our technical staff with regular training jointly held by us and our major equipment manufacturers to ensure that our staff is competent in keeping our equipment well-maintained and in good condition, skilled in operating the equipment and well-informed about the functions, operation and maintenance of our equipment.

### **Well-Established and Strategic Relationship with Major Suppliers**

We purchase equipment and spare parts and rent equipment from selected suppliers which we believe have strong reputation for product quality and reliability, including Kanamoto and international equipment manufacturers, and we maintain close relationships with them to ensure stability of supply and their provision of after-purchase service and support.

We believe we have built up strong relationship with our major suppliers because of our business reputation, trustworthiness and large volume of purchase. Leveraging on our relationship, we are often able to directly source equipment from such reputable suppliers on favourable terms without going through their local dealers or distributors, and our large volume of purchase provides us with significant bargaining power. Further, our major suppliers provide us with their technical and other support such as training on the function, operation, maintenance and safety of equipment supplied by them. We believe our established relationship with a large number of suppliers also enable us to acquire most types of equipment that our customers need from time to time.

While our strategic relationship with our suppliers provide us with timely and reliable supply of a variety of quality equipment, we believe we are an important business partner of such suppliers, providing them with expansion opportunities through our wide established local customer networks. We cooperate with them by providing them with our procurement schedules for early visibility of our equipment needs, which enables them to plan their supply schedules effectively.

Our strong and mutual relationship with suppliers is illustrated by the Kanamoto Cooperation Agreement, details of which are set out in the sub-section “Our Relationship with Kanamoto” below.

### **Leading Position in the Equipment Rental Market in Hong Kong**

We were the third largest company in the construction equipment rental industry in Hong Kong and the largest in Macau (with market share of 3.4% and 4.2%, respectively, based on revenue in 2014, according to the F&S Report). We are one of the few companies which offer a wide range of equipment, high-quality comprehensive rental services and effective equipment rental-related solutions in Hong Kong and Macau; and in this way, we distinguish ourselves as a leader in a large industry which includes companies serving various market segments with different categories of equipment, according to the F&S Report. In particular, we were the largest rental provider of power and energy equipment and the third largest rental provider of high reach equipment in Hong Kong (with market shares of 12.1% and 4.0%, respectively, based on revenue in 2014), according to the F&S Report. In Macau, we were the second largest rental provider of energy and power equipment and the largest rental provider of high reach equipment



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(based on revenue in 2014, with market shares of 6.6% and 16.5%, respectively), according to the F&S Report. It is expected that the revenue of the construction equipment rental market in Hong Kong will grow from HK\$4,118.9 million in 2015 to HK\$6,465.2 million in 2019, representing a CAGR of approximately 11.9%; and the revenue of the construction equipment rental market in Macau will grow from MOP762.5 million in 2015 to MOP1,081.0 million in 2019, representing a CAGR of approximately 9.1%, according to the F&S Report.

The construction equipment rental markets in Hong Kong and Macau are expected to continue to expand primarily due to the cost advantages of equipment rental for contractors, efficiency of equipment rental for construction projects, reduced quality risks and the progress of the mega infrastructure projects.

We believe our leading market position, established business model, industry reputation and strong relationship with major suppliers and customers position us favourably to capture the overall growth trend of the construction equipment rental markets in Hong Kong and Macau based on our business strategies set out below.

### **Experienced and Dedicated Management with Proven Track Record**

We have an experienced, dedicated and able management team, led by Mr. Lau and Ms. Chan, our two executive Directors and our founders, who have been instrumental in spearheading the growth of our Group since its inception. Both Mr. Lau and Ms. Chan have over 33 years of relevant working experience in our industry.

In addition, we have built a capable and loyal senior management team, including Mr. TF Lau and Mr. Wong Chuek Man. Please see the section “Directors and Senior Management” for further information on our Directors and senior management.

Over the years, our management team has built close relationships with our key principal suppliers and customers, accumulated in-depth knowledge of the equipment rental industry and stayed abreast of industry development and market trends.

Our Directors and senior management are supported by a team of committed and trained staff. We consider our employees as our core assets and we dedicate significant resources to their development. We seek to provide career opportunities and continue to invest in their training, which we believe is important for our long-term success and future growth.

## **OUR STRATEGIES**

We believe in the strong growth prospect of the equipment rental industry and are determined to enhance our position as the industry leader and actively participate in the future major infrastructure, mega-size construction and E&M engineering projects in Hong Kong and Macau. Building on our strengths, we strive to lead the industry with high-quality equipment, premium service and equipment solutions. To meet the expected growth in market demand, we intend to expand our equipment fleet by purchasing additional equipment and continue to actively manage our fleet. In particular, we intend to purchase more equipment with higher environmental and quality standard to cater for the changing market trend and customer requirement. As a value-added equipment rental-related solution provider, we are committed to maintain our service standard and the professionalism of our technical and operation staff. In addition, we aim to further enhance our efficiency and the quality of our equipment rental service by improving our equipment maintenance facilities and installing a GPS equipment monitoring system.

### **Expansion of our Rental Equipment Fleet**

We intend to expand our equipment fleet in terms of its size and range of equipment, after taking into account (i) the growing construction industry in Hong Kong and Macau; (ii) the fact that the utilisation rate for equipment with age of five years or less is generally higher than that for equipment with age of over five years due to customers' preference for new equipment (as set out in the sub-section "Our Rental Services and Equipment — Equipment Utilisation" below); (iii) the increasing demand for equipment with higher emission standards than the existing equipment in the market following the implementation of the NRMM Regulation; and (iv) the fact that we were able to generate a higher gross profit margin from our owned fleet as compared to that of our rented fleet during the Track Record Period.

#### ***(i) Purchasing additional units of equipment***

We intend to maintain our strength on our principal types of equipment, such power and energy equipment, high reach equipment and material handling equipment by purchasing the following new equipment. During the Track Record Period, the utilisation rate of our equipment with age of five years or less has been relatively high, illustrating the market demand and preference for such equipment, as set out in the sub-section "Our Rental Services and Equipment — Equipment Utilisation" below. We make decision on our purchase of equipment based on our active monitoring of market environment, our market research, industry experience and market intelligence, and the business acumen of our management. We believe that the purchase of the new equipment will enable us to capture the market demand for such equipment and further strengthen our rental business.

##### *Power and energy equipment*

Power and energy equipment is equipment that is commonly required in many construction and E&M engineering projects and large scale Event and Entertainment activities. As a result of growing environmental awareness and after the implementation of the NRMM Regulation, a growing demand is expected for power and energy equipment that satisfies higher emission standards than the existing equipment in the market. In order to



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cater for the expected demand for such equipment in the upcoming mega-size construction projects in Hong Kong, we plan to purchase approximately 110 units of new engine generators meeting higher emission standard, which are expected to cost approximately HK\$30.0 million in total, and approximately 10 units of new air compressors meeting higher emission standard, which are expected to cost approximately HK\$1.8 million in total.

### *High reach equipment*

In order to maintain the number and quality of our fleet of high reach equipment, which are commonly used in construction, E&M engineering and Event and Entertainment industries, we intend to purchase approximately five units of new high reach equipment of newer models and up-to-date quality standards, which are expected to cost approximately HK\$2.2 million in total.

### *Material handling equipment*

We also intend to purchase approximately 25 additional units of new diesel and electric forklifts to meet the expected demand in the construction and logistics sector for such equipment, which are expected to cost approximately HK\$5.2 million in total.

### **(ii) Increasing the range of our equipment**

Leveraging on our industry reputation, established network and experience in the equipment rental market, we plan to expand the range of our rental equipment from our core types of equipment.

We intend to include a new line of lifting equipment in our equipment fleet, including approximately two to four units of mobile cranes in the 70 to 100 tons category, which are expected to cost approximately HK\$10.8 million in total. In view of the upcoming infrastructure projects in Hong Kong and Macau, we believe that the market demand for these lifting equipment will increase accordingly. We also intend to acquire new and used hydraulic cranes, used crane lorries, submersible water pumps and movable container offices.

We generated a substantial part of our rental income from our rented fleet of equipment, representing 81.9%, 73.3%, 68.6% and 63.2% of our rental income for the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, respectively. We plan to use approximately 71.2% of the net proceeds for the Global Offering, or HK\$50.0 million (based on the mid-point of the Offer Price of HK\$0.675 per Offer Share), for investment in rental equipment, which will include (i) purchase of new equipment to replace obsolete equipment as part of our ordinary fleet management, (ii) purchase of new equipment with higher emission standards than the existing equipment, in order to satisfy market demand and requirements under the NRMM Regulation which became effective in September 2015, and (iii) purchase of a new line of lifting equipment including two to four units of mobile cranes, as set out above. In light of the above, our investment in equipment is in line with our past investment, as our purchase of equipment were HK\$29.3 million, HK\$71.5 million and HK\$65.1 million and HK\$48.9 million for the years ended 31 March 2013, 2014 and 2015, and the six months ended 30 September 2015.

### **Continuing to Actively Manage our Equipment Fleet**

We will continue our active and flexible fleet management strategy to optimise the size and composition of our equipment fleet to adapt to changing market conditions, with an aim to increase our returns on invested capital and maintain operational flexibility by identifying the right timing of investing in new fleet assets and disposing of used equipment.

We strive to continue to introduce new types of equipment to gain first-mover advantage and to timely phase out used equipment. We will continue to maintain our ancillary trading operations, which provide an additional income base and serve as a channel for our disposal of used equipment.

### **Installation of GPS Equipment Monitoring System and purchase of additional transportation equipment**

We intend to install a GPS equipment monitoring system, which may be applied on our equipment to collect and transmit data to our office, including the location, utilisation, fuel consumption and any malfunctioning of our equipment, which could potentially enable us to save costs on maintenance, reduce equipment down time, improve the quality of equipment servicing and maintenance, and improve the quality of our overall equipment rental service.

In addition, we also intend to purchase additional vehicles for transporting our equipment, which is expected to cost approximately HK\$5.0 million.

### **Improving our Equipment Maintenance Facilities**

Active and effective equipment maintenance is important for ensuring the quality and safety of our equipment and reducing equipment downtime. We will continue to strengthen our equipment maintenance processes, with improvement and expansion of our equipment maintenance facilities. For the year ending 31 March 2017, we intend to purchase and install two sets of special purpose bench with accessories for testing and upgrading of injection pump equipment and two units of load bank device, which is used for testing silent diesel engine generators; and we intend to purchase and install a special purpose heavy duty bench for assembling, disassembling and repair of hydraulic cylinders, and we also intend to purchase new repair and maintenance tooling, including hydraulic jack cylinders, drivers and wrenches, tools for prying, opening, gripping, cutting, soldering, wiring, measuring, organising, inspecting and cleaning different equipment, as well as other tool kits and consumables. In addition, we also plan to carry out on-going renovations and expansion of our equipment workshop and repair facilities in order to meet the needs of our business growth, strategic planning and environmental protection goals.

### **Maintaining our Focus on our Employee Training and Service Standards**

To ensure we remain competitive and to enhance our strength as a premium equipment rental-related value-added service provider, which depends significantly on our staff experience and knowhow, we will continue to hire qualified and experienced staff and technical personnel and provide them with the necessary training in order to maintain a high standard of operating and technical services. We will continue to provide training to our technical staff to ensure they are competent in keeping our equipment well-maintained and skilled in operating equipment. Under the strong leadership of our management team, we will continue to motivate our staff to further enhance their professionalism and industry knowhow to support the provision of our value-added services.

### **Use of Proceeds from the Global Offering for our Strategies**

Please see “Future Plans and Use of Proceeds” for the expected use of proceeds from the Global Offering for our future plans set out above, and we will use our internal resources to carry out the other strategies.

### **OUR BUSINESS MODEL**

We are principally engaged in the rental of equipment and provision of equipment rental-related value-added services to customers. Our equipment may be rented to customers on (i) non-operated basis (without the provision of operators), (ii) operated basis (where we provide our operators to operate the equipment) or (iii) with service basis (with inclusion of equipment planning, transportation, installation, operation, standby refuelling and maintenance, disassembling and other technical support services).<sup>(1)</sup> The equipment we rent to customers comprises equipment that we own and maintain in our rental fleet and equipment which we can rent with exclusivity from our suppliers, including our Shareholder and strategic partner, Kanamoto, which is one of the leading construction equipment rental group in Japan, for details of which please see the sub-section “Our Relationship with Kanamoto” below.

We generated a substantial part of our rental income from our rented fleet of equipment, representing 81.9%, 73.3%, 68.6% and 63.2% of our rental income for the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, respectively. Our hiring expenses for renting equipment from our suppliers were HK\$58.5 million, HK\$67.1 million, HK\$65.2 million and HK\$32.2 million for the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, respectively, representing 55.0%, 43.0%, 41.0% and 40.2% of our cost of sales for the respective periods. In particular, we rent a significant part of our rental fleet from Kanamoto. Hiring expense for equipment we rented from Kanamoto was HK\$55.4 million, HK\$64.3 million, HK\$61.0 million and HK\$30.0 million for the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, respectively, representing 94.7%, 95.8%, 93.7% and 93.1% of our total hiring expenses for the respective periods. We believe that our customers rent equipment from us instead of renting directly from our equipment suppliers because (i) we provide a wide range of value-added services, such as operating services, equipment planning, transportation, installation, standby refuelling and

<sup>(1)</sup> Each of our equipment rental contracts may include operating service and/or other services, and may not be clearly and easily classified into one of the above categories.

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maintenance, disassembling and other technical support services, as set out in the section “Our Strengths — Ability to Provide Equipment Rental-related Solutions with Value-added Services” above, and the section “Our Rental Services and Equipment — Overview of our Equipment Rental Services” below; and (ii) we have well-established relationship with our customers and an experienced local sales team which our equipment suppliers, the majority of which are overseas companies, generally do not possess.

We consider that, because of the large number of suppliers for construction equipment and our well-established connections with a number of such suppliers, in the event that the Kanamoto Cooperation Agreement is terminated, we will be able to purchase or rent the equipment we require from a number of alternative suppliers without any significant difficulty, but there may be material interruptions to our operations and business before we can secure supply and rental of equipment from other suppliers for the large quantity of equipment that we may need, and it may take time for us to negotiate for purchase and rental terms with the other suppliers. Please see the section “Suppliers and Procurement — Kanamoto Cooperation Agreement — Termination” for further details.

As part of our rental services, we supply spare equipment parts, and provide other equipment related services such as technical support and transportation service for equipment. As part of our fleet management and full service capability, we sell our used rental equipment to customers from time to time, receive proceeds from such disposal. With our established equipment sales channels, we trade new and used equipment to match the requirements of customers and this also broadens our customer base and streams of revenue.

We believe that our different business segments complement each other and are integral to our equipment rental-related services for our customers’ different equipment needs.

The equipment rental industry tends to be cyclical in nature and revenues therefore are tied to the general economic conditions and to conditions in the construction and E&M engineering industry. It is common in the construction and E&M engineering market that contractors form joint ventures to jointly participate in large-scale construction and E&M engineering project on a project-by-project basis, and such joint ventures are usually the contracting parties who engage us for our rental and other services for the particular projects. While our major customers based on contractual relationship (i.e. the joint ventures rather than the individual contractors) may change from year to year, our business relationships with the major construction and E&M engineering companies are stable and long term.

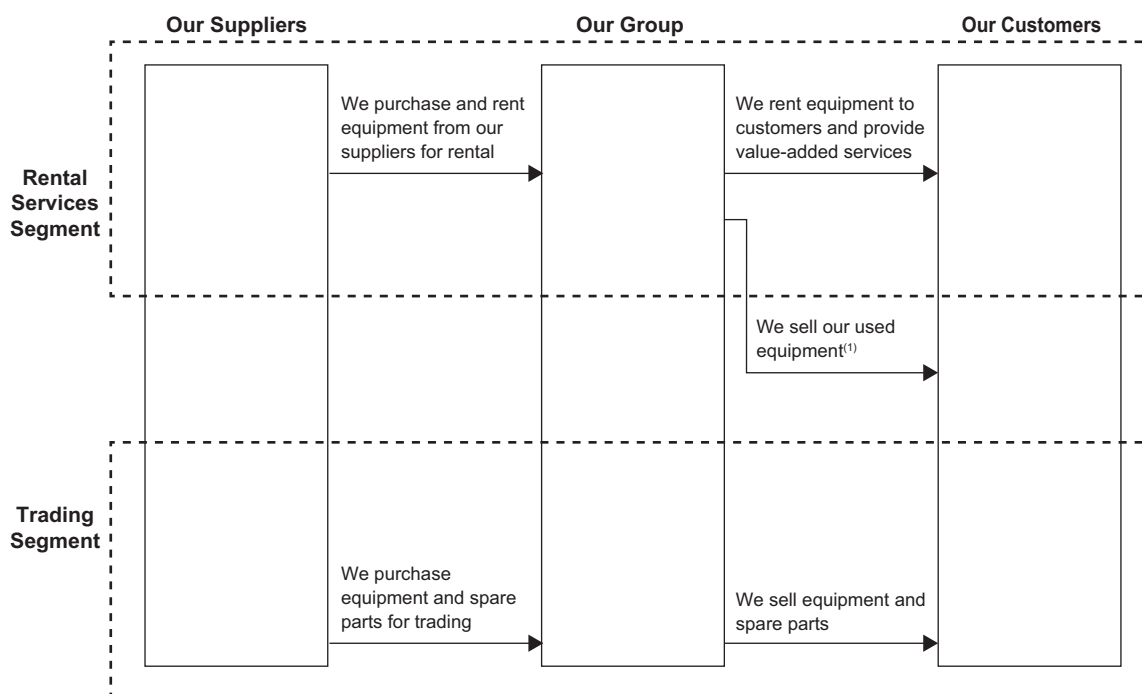
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The table below shows a breakdown of our revenue by segment.

	For the year ended 31 March						For the six months ended 30 September	
	2013		2014		2015		2015	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
<b>Rental Services</b>								
Rental income	119,422	74.8	143,657	65.9	161,660	70.9	88,364	72.8
Equipment operating service	16,405	10.3	19,295	8.9	16,926	7.4	9,824	8.1
Other services	<u>5,807</u>	<u>3.6</u>	<u>8,150</u>	<u>3.7</u>	<u>10,764</u>	<u>4.7</u>	<u>5,229</u>	<u>4.3</u>
<b>Sub-total</b>	<u><u>141,634</u></u>	<u><u>88.7</u></u>	<u><u>171,102</u></u>	<u><u>78.5</u></u>	<u><u>189,350</u></u>	<u><u>83.0</u></u>	<u><u>103,417</u></u>	<u><u>85.2</u></u>
<b>Trading</b>								
Sales of machinery and spare parts	17,982	11.2	46,444	21.3	38,530	16.9	17,952	14.8
Other services	<u>135</u>	<u>0.1</u>	<u>403</u>	<u>0.2</u>	<u>345</u>	<u>0.1</u>	<u>68</u>	<u>0.0</u>
<b>Sub-total</b>	<u><u>18,117</u></u>	<u><u>11.3</u></u>	<u><u>46,847</u></u>	<u><u>21.5</u></u>	<u><u>38,875</u></u>	<u><u>17.0</u></u>	<u><u>18,020</u></u>	<u><u>14.8</u></u>
<b>Total revenue</b>	<u><u>159,751</u></u>	<u><u>100.0</u></u>	<u><u>217,949</u></u>	<u><u>100.0</u></u>	<u><u>228,225</u></u>	<u><u>100.0</u></u>	<u><u>121,437</u></u>	<u><u>100.0</u></u>
<b>Other income</b>								
Gains on disposal of owned equipment for rental service	<u>889</u>		<u>2,477</u>		<u>2,920</u>		<u>912</u>	

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The following diagram summarises our business model and business segments:



Note:

<sup>(1)</sup> We record the proceeds from sale of our used equipment as other income.

## OUR RENTAL SERVICES AND EQUIPMENT

### Overview of our Equipment Rental Services

We provide equipment rental-related solutions with value added services for a wide range of equipment to our customers, mainly for construction works and E&M installation as well as for large-scale entertainment and other events in Hong Kong and Macau. Our rental services include, depending on the customers' requirements, equipment operating services, technical support and services, other equipment related services, and the supply of spare equipment parts and ancillary products, as set out below.

Our equipment may be rented to customers on (i) non-operated basis (without the provision of operators), (ii) operated basis (where we provide our operators to operate the equipment on customers' job sites), or (iii) with service basis with inclusion of equipment related services such as equipment transportation and installation, skilled equipment operation, standby refuelling and maintenance, disassembling and other technical support.<sup>(1)</sup>

Please see the sub-sections "Our Operations" and "Principal Rental and Service Terms" for further information on our rental services.

<sup>(1)</sup> Each of our equipment rental contracts may include operating service and/or other services, and may not be clearly and easily classified into one of the above categories.

### ***Equipment operating services***

We offer equipment operating services in Hong Kong, by sending our skilled equipment operators to operate the equipment at the job sites of the customers. We provide operating services principally for excavators, crawler loaders, vibration rollers, skid loaders, telehandlers, forklifts, mini crawler cranes, lorry cranes and generators.

### ***Technical support and services***

Our rental arrangements may include repair, maintenance and technical support services during the rental period. Our in-house technical support team conducts servicing for our rental and trading customers, regular technical support on our rental fleets, onsite technical support and inspection for our rental customers and emergency repairs.

In order to ensure their technical competence and service quality, our suppliers provide training to us on equipment and technical support in respect of issues relating to the function and maintenance of equipment supplied by them, especially for equipment that are within the warranty period provided by them, and for change of spare parts.

We believe our trained and experienced technical support team is able to provide quality services in a timely manner upon requests from our customers, and this ability plays a key role in our business as customers highly value professional support services, especially at times of emergency.

### ***Other equipment related services***

We provide miscellaneous equipment rental related services to our customers, including on-demand technical support and transportation services, equipment assembly, installation and dismantling services. We also arrange for the purchase of insurance for our customers and receive service fees for such services.

### ***Sale of spare parts and ancillary products***

As part of our rental services and our trading operation, we offer equipment spare parts and components. We maintain an inventory of common parts and products which we believe is important for timely parts and service support and help minimise machinery downtime. These sales enable us to further promote the convenience of our equipment rental-related services.

When spare parts are not available in our inventory, we can also assist our customers to place orders with the relevant manufacturers.

### **Rental Equipment Fleet**

We owned a fleet of over 1,300 units of equipment of a wide variety as at the Latest Practicable Date, which comprises four main categories, namely (i) power and energy equipment, (ii) high reach equipment, (iii) material handling equipment, and (iv) other equipment (including lifting, earth moving, foundation, road and transportation, tunnelling and demolition equipment).

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Power and energy equipment has historically been our major rental equipment, and we have accumulated substantial technical expertise and capability in this type of equipment. High reach equipment and material handling equipment are required for many different types of works and are widely used on construction sites, in E&M engineering projects and large-scale Event and Entertainment activities to save manpower.

In addition to our owned equipment, our rental fleet includes equipment that we can rent with exclusivity from our suppliers, including our Shareholder and strategic partner, Kanamoto, which is one of the leading construction equipment rental group in Japan, for details of which please see the sub-sections “Equipment Rented from Kanamoto and Other Suppliers” and “Our Relationship with Kanamoto” below. Such arrangements allow us to achieve greater flexibility and cost efficiency, and provide a wide range of equipment to satisfy our customers’ demand even when we do not have the required equipment in our fleet. We may also rent from other suppliers if the equipment needed by our customers is not available in our rental fleet and is not available from Kanamoto HK.

In determining whether we purchase new equipment or rent it from our suppliers, we mainly take into consideration: (i) whether we have committed or are likely to secure recurring rental contracts for such equipment; (ii) the expected return in terms of rental income and resale value; and (iii) the availability of such equipment from our suppliers at the given time. Generally, we purchase equipment with recurring expected rental commitments from our customers and good resale value and rent equipment from our suppliers to satisfy our customers’ short term demand for such equipment.

### ***Power and energy equipment***

Power and energy equipment that we rent out primarily includes the following:

Silent diesel generators — these are machines that generate energy and are used primarily in construction sites and large scale Event and Entertainment activities without connection to a power grid or as emergency power supply should the power grids fail and mobile diesel generators.

Diesel or electric air compressors — these are machines that convert power into potential energy stored in pressurised air, which are used to supply high pressure clean air to fill air receivers, supply of moderate-pressure air to power pneumatic tools and for filling tires.

Diesel welders — these are machines that provide electric current to perform welding.

Diesel light towers — used primarily for night construction work and Event and Entertainment to provide illumination.



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The following are some of our power and energy equipment:



Diesel generator



Air compressor



Diesel welder



Diesel light tower

As at the Latest Practicable Date, the rental rates for our power and energy equipment ranged from approximately HK\$2,700 per month to HK\$93,300 per equipment per month.

### ***High reach equipment***

High reach equipment that we rent out includes primarily aerial work platforms which are mechanical devices used to provide temporary access for people or equipment in high inaccessible areas and includes articulated boom lifts, diesel telescopic boom lifts, spider lifts, electric scissor lifts, diesel scissor lifts and personal lifts.

The following is some of our high reach equipment:



Articulated boom lift



Telescopic boom lift



Spider lift



Electric scissor lift



Diesel scissor lift



Personal lift

As at the Latest Practicable Date, the rental rates for our high reach equipment ranged from approximately HK\$3,600 per month to HK\$84,800 per equipment per month.

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### ***Material handling equipment***

Material handling equipment primarily comprises diesel forklifts, electric forklifts, telehandlers, skid loaders, crawler loaders and wheel loaders.

Forklifts and telehandlers are mechanical devices used to lift and move materials in short distances while loaders are used in construction sites to move aside or load materials such as demolition debris, construction waste, earth, logs, or minerals into other machineries such as dump trucks, conveyor belt or railroad cars.

The following is some of our material handling equipment:



Forklift



Telehandler



Skid loader



Crawler loader



Wheel loader

As at the Latest Practicable Date, the rental rates for our material handling equipment ranged from approximately HK\$7,200 per month to HK\$58,300 per equipment per month.

### ***Other equipment***

In addition to the principal categories of equipment above, we also offer a wide range of other equipment, including the following:

**Lifting equipment** — these include crawler cranes, mini crawler cranes and all terrain cranes, primarily used in construction sites to move heavy objects and are used in various stages of construction projects.

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**Earth moving equipment** — these include hydraulic excavators, attachments for excavators, crawler loaders, wheel loaders and vibration rollers, primarily used to move earth in construction projects.

**Road and transportation equipment** — these include crane lorry and vibration rollers, primarily used in concrete road works and equipment transportation.

**Foundation equipment** — these include casing rotators, hydraulic drilling rigs and telescopic clamshells, primarily used in early stages of construction projects such as site formation.

**Tunnelling equipment** — these include underground loaders, hydraulic breakers, side dump wheel loaders and crawler booms, primarily used in underground and/or tunnelling projects.

**Demolition equipment** — these include hydraulic breakers, crushers, cutters and quick coupler, primarily used to assist in the tearing-down of buildings and other structures.

The following is some of our other equipment:



Lifting equipment  
— Mini crawler crane



Earth moving equipment  
— Excavator with attachment



Road and transport equipment  
— Crane lorry



Foundation equipment  
— Casing rotator



Demolition equipment  
— Hydraulic breaker

As at the Latest Practicable Date, the rental rates for our other equipment ranged from approximately HK\$3,600 per month to HK\$212,000 per equipment per month.

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## Equipment Utilisation

The overall utilisation rate for our owned equipment were 25.9%, 25.9%, 37.6% and 45.5% for the years ended 31 March 2013, 2014 and 2015, and the six months ended 30 September 2015, respectively. The following table sets out information on the number and utilisation rate of our owned equipment by category as at the dates and for the periods indicated.

	As at 31 March/ For the year ended 31 March						As at 30 September/ For the six months ended 30 September	
	2013		2014		2015		2015	
	Number in fleet	Utilisation rate (%)	Number in fleet	Utilisation rate (%)	Number in fleet	Utilisation rate (%)	Number in fleet	Utilisation rate (%)
		<i>(Note 1)</i>		<i>(Note 1)</i>		<i>(Note 1)</i>		<i>(Note 1)</i>
Power and energy	94	28.7	164	46.4	250	42.8	289	43.8
High reach	338	22.9	404	15.2	527	40.4	670	54.1
Material handling	52	39.9	65	34.5	93	49.5	134	51.1
Others <i>(Note 2)</i>	75	31.9	178	33.2	182	19.5	187	17.4
<b>Total</b>	<b>559</b>	<b>25.9</b>	<b>811</b>	<b>25.9</b>	<b>1,052</b>	<b>37.6</b>	<b>1,280</b>	<b>45.5</b>

The following table sets out the movement of our owned equipment during the Track Record Period.

	Balance as at 31 March 2013			Balance as at 31 March 2014			Balance as at 31 March 2015			Balance as at 30 September 2015	
	Additions	During the year ended 31 March 2014		Additions	During the year ended 31 March 2015		Additions	During the six months ended 30 September 2015		Disposals	
		Disposals	Disposals		Disposals	Disposals					
Power and energy	94	82	(12)	164	103	(17)	250	53	(14)	289	
High reach	338	106	(40)	404	196	(73)	527	210	(67)	670	
Material handling	52	16	(3)	65	28	—	93	59	(18)	134	
Others <i>(Note 2)</i>	75	118	(15)	178	23	(19)	182	13	(8)	187	
<b>Total</b>	<b>559</b>	<b>322</b>	<b>(70)</b>	<b>811</b>	<b>350</b>	<b>(109)</b>	<b>1,052</b>	<b>335</b>	<b>(107)</b>	<b>1,280</b>	

The utilisation rate for equipment with age of five years or less is generally higher than that for equipment with age of over five years as demand for newer equipment is generally higher due to customers' preference. The following table sets out information on the number and utilisation rate of our owned equipment with age of five years or less by category as at the dates and for the periods indicated.

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	As at 31 March/ For the year ended 31 March						As at 30 September/ For the six months ended 30 September	
	2013		2014		2015		2015	
	Number in fleet	Utilisation rate (%)	Number in fleet	Utilisation rate (%)	Number in fleet	Utilisation rate (%)	Number in fleet	Utilisation rate (%)
		<i>(Note 1)</i>		<i>(Note 1)</i>		<i>(Note 1)</i>		<i>(Note 1)</i>
Power and energy	60	37.7	127	63.6	209	51.5	249	50.4
High reach	30	81.4	51	23.7	240	73.8	346	82.1
Material handling	18	61.3	31	45.0	53	68.9	89	68.6
Others <i>(Note 2)</i>	47	34.8	115	38.3	118	20.6	124	19.3
<b>Total</b>	<u>155</u>	<u>50.5</u>	<u>324</u>	<u>45.5</u>	<u>620</u>	<u>52.3</u>	<u>808</u>	<u>59.7</u>

The following table sets out information on the number and utilisation rate of our owned equipment with age of over 5 years by category as at the dates and for the periods indicated.

	As at 31 March/ For the year ended 31 March						As at 30 September/ For the six months ended 30 September	
	2013		2014		2015		2015	
	Number in fleet	Utilisation rate (%)	Number in fleet	Utilisation rate (%)	Number in fleet	Utilisation rate (%)	Number in fleet	Utilisation rate (%)
		<i>(Note 1)</i>		<i>(Note 1)</i>		<i>(Note 1)</i>		<i>(Note 1)</i>
Power and energy	34	12.8	37	8.1	41	8.9	40	7.8
High reach	308	16.9	353	14.2	287	24.8	324	27.2
Material handling	34	33.6	34	26.0	40	27.4	45	22.4
Others <i>(Note 2)</i>	28	28.0	63	23.5	64	17.6	63	13.8
<b>Total</b>	<u>404</u>	<u>18.5</u>	<u>487</u>	<u>15.5</u>	<u>432</u>	<u>22.5</u>	<u>472</u>	<u>23.0</u>

**Notes:**

- Utilisation rate is calculated based on the number of days equipment were rented out during the respective period divided by the estimated number of days the equipment is available for service in the year (excluding estimated maintenance of 30 days and transportation and delivery time of 30 days). Utilisation rate is calculated for our owned equipment only. For rented equipment, we only rent the equipment from suppliers on an as-needed basis if the equipment required by our customers is not available from our owned equipment.
- Others include lifting, earth moving, foundation, road and transportation, tunnelling, demolition and small equipment.
- All of our owned rental equipment, including those with age of over 5 years, were well maintained and available for rental to our customers.

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The following table sets out the average number of years used and remaining useful life of our owned equipment by category for the periods indicated.

Types of equipment	As at 31 March				As at 30 September			
	2013		2014		2015		2015	
	Average years used <sup>(1)</sup>	Remaining useful life <sup>(2)</sup>	Average years used <sup>(1)</sup>	Remaining useful life <sup>(2)</sup>	Average years used <sup>(1)</sup>	Remaining useful life <sup>(2)</sup>	Average years used <sup>(1)</sup>	Remaining useful life <sup>(2)</sup>
Power and energy	1.5	3.9	1.5	4.3	1.7	4.2	1.9	4.0
High reach	5.0	1.3	4.5	2.2	3.3	3.3	2.9	3.3
Material handling	2.7	3.5	2.8	3.6	2.9	3.5	2.4	3.7
Others <sup>(3)</sup>	1.0	4.8	1.2	4.7	2.1	3.9	2.4	3.3
<b>Overall</b>	<b>3.6</b>	<b>2.4</b>	<b>3.1</b>	<b>3.3</b>	<b>2.7</b>	<b>3.7</b>	<b>2.4</b>	<b>3.6</b>

Notes:

- (1) Calculation of the average number of years used of the equipment is based on the average number of years operated by us in respect of each type of equipment, i.e. from the date of acquisition by us to the date indicated above.
- (2) Calculation of the remaining useful life is based on the average of useful life of each equipment (i.e. 3 to 6 years) deducted by its years used. For this purpose, equipment with years used exceeding its useful life shall have nil remaining useful life.
- (3) Others include lifting, earth moving, foundation, road and transportation, tunnelling, demolition and small equipment.

### **Utilisation rate for our owned equipment during the Track Record Period and our plan to acquire additional equipment with the net proceeds from the Global Offering**

The overall utilisation rate for our owned equipment has increased from 25.9% for the years ended 31 March 2013 and 2014 to 37.6% for the year ended 31 March 2015 and further increased to 45.5% for the six months ended 30 September 2015. The utilisation rate for equipment with age of five years or less is generally higher than that for equipment with age of over five years as demand for newer equipment is generally higher due to customers' preference. The utilisation rate for equipment with age of five years or less was 50.5%, 45.5%, 52.3% and 59.7% for the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, respectively.

We consider that, to the best of our Directors' knowledge and belief based on their experience in and understanding of the construction equipment industry, our equipment utilisation rate is in line with the industry norm, taking into account the following factors. Generally, the utilisation rate is different for different types of equipment. Our fleet covers a wide range of equipment, including some specialty equipment which is not constantly required by our customers. We hold a wide range of equipment in order that we can offer them to our customers when they are required. Equipment that are not constantly required by customers are generally

the equipment that may not be readily available from other suppliers or equipment company, and we are therefore often able to rent them to our customers at a relatively higher rental rate than equipment that are widely and readily available.

As set out in the section “Our Strengths — Effective and Flexible Fleet Management and Optimisation Based on In-depth Market Research and Experience” above, we strive to adopt an effective and flexible fleet management strategy that aims to optimise the size and composition of our equipment fleet to adapt to changing market conditions and trends; and we selectively purchase and maintain our owned equipment after detailed consideration to ensure satisfactory return in terms of rental income and resale value. We consider the utilisation rate for our equipment as one of our operation indicators, and not our single target or a representative indication of the profitability in respect of our equipment.

We plan to use approximately 71.2% of the net proceeds for the Global Offering, or HK\$50.0 million (based on the mid-point of the Offer Price of HK\$0.675 per Offer Share), for investment in rental equipment during the financial year ending 31 March 2017, as set out in the section “Our Strategies — Expansion of our Rental Equipment Fleet”, which will include (i) purchase of new equipment to replace obsolete equipment as part of our ordinary fleet management, (ii) purchase of new equipment with higher emission standards than the existing equipment, in order to satisfy market demand and requirements under the NRMM Regulation which became effective in September 2015, and (iii) purchase of a new line of lifting equipment including two to four units of mobile cranes, as set out in details in the section “Our Strategies — Expansion of our Rental Equipment Fleet” above. We do not expect that our expansion plan will result in a significant decrease in the utilisation rate of our existing equipment fleet. We cannot, however, guarantee that such risk will be negligible, as set out in the section “Risk Factors — We plan to purchase new rental equipment with a significant part of the proceeds from the Global Offering. We cannot guarantee that such new equipment will be utilised to the extent we expect and it may also reduce the utilisation rate of our existing equipment. Our profitability may also be affected by the potential increase in depreciation expenses due to our investment in our rental fleet.”

The utilisation rate for equipment with age of over five years is generally lower than that for equipment with age of five years or below. As set out in the section “Fleet Management and Quality Control — Fleet Management” below, we dispose of used equipment from time to time as part of our ordinary course of business. We may dispose of the used equipment, including used equipment with age of over five years in Hong Kong or to countries where there is demand of such aged equipment. Based on our experience in the demand for our equipment, we do not envisage any material write-off or impairment for such equipment.

### **Equipment Rented from Kanamoto and Other Suppliers**

Our rental fleet comprises our owned equipment fleet and equipment we rent from our suppliers. We rent equipment from our suppliers for rental to our customers if the equipment needed by our customers is not available in our rental fleet. We generated a substantial part of our rental income from our rented fleet of equipment, representing 81.9%, 73.3%, 68.6% and 63.2% of our rental income for the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, respectively. Our hiring expenses for renting equipment from

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our suppliers were HK\$58.5 million, HK\$67.1 million, HK\$65.2 million and HK\$32.2 million for the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, respectively, representing 55.0%, 43.0%, 41.0% and 40.2% of our cost of sales for the respective periods.

We rent a significant part of our rental fleet from Kanamoto. Hiring expenses for equipment we rented from Kanamoto were HK\$55.4 million, HK\$64.3 million, HK\$61.0 million and HK\$30.0 million for the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, respectively, representing 94.7%, 95.8%, 93.7% and 93.1% of our total hiring expenses for the respective periods. Please see the sub-section “Our Relationship with Kanamoto” below for details of our relationship with Kanamoto and the terms of our rental of equipment from it.

We also rent equipment from other suppliers if the equipment needed by our customers is not available in our rental fleet or the fleet of Kanamoto, and the hiring expenses for equipment we rented from suppliers other than Kanamoto represented 5.3%, 4.2%, 6.3% and 6.9% of our total hiring expenses for the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, respectively.

### **SALE OF EQUIPMENT**

As part of our commitment to provide equipment rental-related services, and as part of our fleet management, we also sell our used rental equipment to our customers. With our established sale channels, we source and sell new and used equipment to customers based on their needs.

#### **Sale and Disposal of our Used Rental Equipment**

We sell our used rental equipment from time to time to satisfy specific demand of customers, as part of our rental fleet management to adjust the size and composition of our fleet according to changing market conditions, and as part of our ongoing commitment to maintain a well-maintained quality fleet. During the Track Record Period, the rental equipment we sold included principally silent diesel generators, air compressors, diesel light towers, articulated boom lifts, diesel forklifts, skid loaders, excavators and attachments. Customers who purchase our used equipment include contractors for construction and engineering works and other equipment and machinery companies, which consider that it is more economical for them to purchase the relevant equipment which they frequently use on a long-term basis.

We work to optimise the timing of resale by taking into account purchase and maintenance costs, rental demand patterns, age of the equipment and resale prices. We determine the resale price for our used equipment generally taking into consideration the net replacement value of the relevant equipment by making reference to the market resale price of the relevant equipment or similar equipment, the estimated selling costs and repairing costs for the equipment. We believe that we achieve favourable resale prices for our rental equipment due to our preventive maintenance.



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For the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, we recorded gains on disposal of HK\$0.9 million, HK\$2.5 million, HK\$2.9 million and HK\$0.9 million, respectively, from such sale, which are recorded as “other income” in our accounts.

### **Trading of New and Used Equipment**

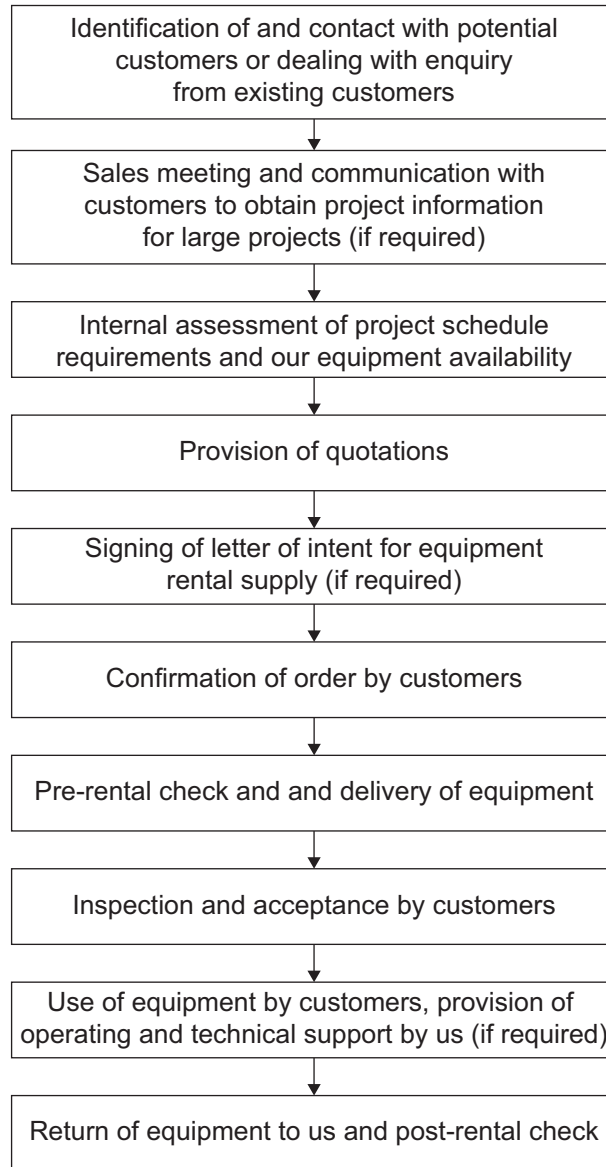
We are capable of satisfying specific demand and requirements of customers by sourcing new and used equipment from different suppliers for on-selling to customers. Because of our well-established networks with manufacturers and users in the equipment market, our trading operation is complementary with our sales channels for disposal of our used rental equipment. We believe that this also strengthens our bargaining position for our purchases of equipment from our suppliers.

For our trading business, we either charge a commission for our service, or determine the selling price for the on-sale of the equipment to the customers generally on a cost-plus basis. For the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, revenue from trading of equipment were HK\$18.1 million, HK\$46.8 million, HK\$38.9 million and HK\$18.0 million, respectively, representing 11.3%, 21.5%, 17.0% and 14.8% of our revenue in the respective periods.

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## OUR OPERATIONS

The following diagram illustrates our principal operational processes of our typical rental operation.



### **Pre-rental Stage**

Our rental process typically starts with the identification of and communication with potential customers involved in large construction projects or enquiry by existing customers. As a major player in the construction equipment industry, we often participate in large-scale construction and E&M engineering projects in which the main contractors or subcontractors require various equipment and machinery in different stages of the projects which they do not possess, and we have established strong market presence and connections with such users.

Before the projects begin, we may meet or communicate with the potential customers to obtain information about the relevant project, in particular the equipment requirements. We then conduct internal review and assessment on the project schedule and equipment requirements, and the expected availability of our equipment based on the schedule. Based on our assessment, we may provide quotations to the potential customers, which may be included in the tender documents they submit for the tendering of the projects.

For contractors tendering for major construction projects, we may provide pre-rental consultation services to facilitate equipment planning, and support the customers in the tendering process by indicating the availability of the type and number of equipment required for the tender. If the potential customer is successful in its tender, we will prepare our purchase plan and liaise with our suppliers for our purchase or rental of equipment from them if necessary, based on the expected requirement for equipment. We rent equipment from our suppliers for rental to our customers if the equipment needed by our customers is not available in our rental fleet. We generate a substantial part of our rental income from our rented fleet of equipment, representing 81.9%, 73.3%, 68.6% and 63.2% of our rental income for the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, respectively.

As a full service solutions provider, we have the capability to provide a range of equipment planning recommendations, assist customers with choosing the right type and number of equipment for their needs and advise them on how to best utilise such equipment at construction sites, with an aim to achieve higher efficiency, save cost and reduce environmental impact. These solutions are sometimes provided at a pre-sale consultation stage as part of our value-added services.

### **Provision of Rental and Other Services**

Depending on the progress of the project, our customer will confirm with us the types and number of equipment to be rented and/or the operating and other services to be provided by issuing orders. Such orders are generally governed by our standard terms and conditions for rental arrangement, details of which are set out in the sub-section "Principal Rental and Service Terms" below.

We conduct pre-rental inspection and checking on the equipment as part of our quality control measures to ensure that the equipment is in good condition and fully functional, before delivery of the equipment to the customer at the job site.

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Depending on the requirements of the customer, we also provide a wide range of execution services including equipment transportation, installation, operation, standby refuelling and maintenance, disassembling and other technical support.

### **Post-rental Stage**

At the end of the rental period, before we accept the return of the equipment from the customer, we conduct post-rental inspection and checking on the equipment.

### **Other Operations**

We also engage in the trading of equipment and spare parts and sale of our used rental equipment, depending on customers' demands. Please see the sub-section "Our Rental Services and Equipment" above for further information.

## **PRINCIPAL RENTAL AND SERVICE TERMS**

We generally require our customers to enter into a rental agreement with us before provision of our rental services. The typical terms of our equipment rental arrangements are as follows.

### **Rental Period**

We provide flexible rental terms, generally on a monthly basis. Rental terms for our equipment vary depending on the type of equipment and the customer's needs. There is a minimum rental period in which the customer is responsible to pay rental charges for the whole of such period even in the event of early termination. During the Track Record Period, the rental period for our equipment generally ranges from a few days to three months, and is typically one month, and the typical minimum rental period is generally one month.

As at 30 September 2015, we had 73 equipment rental agreements the specified rental period of which had not expired, for which the aggregate outstanding rental payments was HK\$0.5 million, and the average remaining period of these agreements was approximately 19 days.

### **Payment**

We generally require advance payment from our customers except for long-term customers with credit accounts. We may also require customers to issue cheques to secure the value of the equipment in the event of loss or material damage of the equipment. We generally allow a credit period of up to 45 days to our customers.

### **Customers' Obligations**

The customer is responsible for (i) daily maintenance and cleaning of the rental equipment; (ii) keeping the equipment in good clean repair and condition; (iii) all consumable parts; and (iv) all maintenance works required or damages suffered as a result of overloading, misuse or neglect in handling the equipment.

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### **Inspection and Repair**

We may at any reasonable times upon one day prior notice in writing enter into the customer's job site to view the state of the equipment and provide a notice in writing of all defects and repair work needed and the customer shall sufficiently repair and make good such defects and want of repair according to such notice.

### **Termination**

Events of default that entitle us to take immediate repossession of the equipment at the customer's cost and expenses include, among others, situations in which (i) customers defaulted in payment of rental fees; and (ii) the equipment is subject to any lien, levy, privilege, detention, confiscation, seizure, attachment, mortgages or charges.

## **FLEET MANAGEMENT AND QUALITY CONTROL**

### **Fleet Management**

We adopt a flexible fleet management strategy that aims to optimise the size and composition of our equipment fleet to adapt to changing market conditions and trends to increase our returns on invested capital and maintain operational flexibility. Fleet management refers to the process of purchasing, dispatching, maintaining and selling rental equipment and is one of the most critical elements for equipment rental companies. We aim to identify the right timing of investing in new fleet assets and disposing of used equipment based on actively monitoring of market environment, extensive and in-depth market research, industry experience, market intelligence that we gather through our strong connections with leading market players and the business acumen of our management. We also make suggestions to Kanamoto HK in respect of fleet management based on our expected demand for their equipment in order that it can manage the fleet effectively.

We only purchase equipment selectively after detailed consideration to ensure that it would provide satisfactory return in terms of rental income and resale value. When considering the expansion of our rental fleet, we will take into account the type and specification of equipment with high demand based on our forecasts. We may also purchase new equipment if we have committed or are likely to secure long term rental contracts for such equipment. We dispose of used equipment and invest in new equipment with an aim to manage repairs and maintenance costs and improve our return on investment capital.

We monitor the profitability of our equipment which is evaluated based on a number of performance criteria, including utilisation statistics, maintenance and repair costs, age and other operational and financial information for each equipment. We sell used equipment and invest in new equipment with an aim to manage repairs and maintenance costs and optimise the size and composition of our fleet to adjust to changes in demand for specific rental equipment.

## **Fleet Maintenance**

We implement preventive maintenance measures that aim to increase reliability, decrease overall maintenance costs, reduce equipment downtime and improve resale price of the equipment. We regularly inspect our equipment when they are not rented out to customers.

## **Quality Control**

We believe that the quality of our equipment is one of our core strengths and is vital for our equipment rental services. Our technical support team is responsible for the quality control of our equipment.

### ***Incoming quality control***

We purchase equipment and spare parts and rent equipment mainly from selected reputable suppliers. We select our suppliers based on stringent criteria including equipment quality, technical support and service quality, and their reputation in the industry. For further information, please see the sub-section "Suppliers" below.

We conduct inspection and relevant testing on the incoming equipment to ensure that the equipment is in satisfactory condition and fully functional before we accept delivery from the suppliers.

### ***Pre-rental and post-rental inspection***

With an aim to reduce equipment downtime on the customers' job sites, we conduct detailed inspection on the equipment as part of our quality control measures to ensure that the equipment is fully operational before delivery to customers.

After the rental of equipment by customers, we also conduct post-rental inspection on the equipment before we accept the returned equipment from such customers.

## **SUPPLIES AND PROCUREMENT**

### **Suppliers**

We purchase equipment and spare parts and rent equipment from selected suppliers who we believe have strong reputations for product quality and reliability, including Kanamoto and international reputable equipment manufacturers. Our suppliers for equipment, machinery spare parts and ancillary products included major suppliers from Japan, the US and Europe such as our top five suppliers during the Track Record Period, as set out in the paragraph "Top Five Suppliers" below. We select our major suppliers based on their product quality, quality control system, production systems, business reputation and production scale.

We believe we have built up strong relationship with our major suppliers and we are able to directly source equipment from such reputable suppliers on favourable terms without going through local dealers or distributors. Leveraging on our large volume of purchase which provides

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us with significant bargaining power, we are able to purchase or rent equipment at competitive prices. We maintain close relationships with them to ensure certainty of supply and good after-purchase service and support.

While we have stable relationship with our major suppliers, generally for one to six years, we also seek new principal suppliers to complement our existing range of products. In particular, we have started our business relationship with Kanamoto since 2009. We make payments to our major suppliers generally by telegraphic transfer and we have been given a credit period up to 180 days generally by such suppliers.

### Our Relationship with Kanamoto

Kanamoto HK, a wholly owned subsidiary of Kanamoto Japan, was our single largest supplier during the Track Record Period. For the years ended 31 March 2013, 2014 and 2015, and the six months ended 30 September 2015, the total amount we paid to Kanamoto HK for our rented equipment, purchases and other fees, accounted for 54.7%, 37.6%, 35.8% and 30.8%, respectively, of our Total Purchases in the respective years. Hiring expenses for equipment we rented from Kanamoto were HK\$55.4 million, HK\$64.3 million, HK\$61.0 million and HK\$30.0 million for the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, respectively, representing 94.7%, 95.8%, 93.7% and 93.1% of our total hiring expenses for the respective periods. The following table sets out our purchases from Kanamoto HK for the periods indicated.

	For the year ended 31 March			For the six months ended
	2013	2014	2015	30 September 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hiring expense for equipment we rented from Kanamoto HK	55,429	64,324	61,045	29,952
Cost of purchase of equipment	2,070	6,156	1,955	1,135
Others (including fees for operating, technical and other services and purchase of parts)	<u>2,021</u>	<u>938</u>	<u>355</u>	<u>353</u>
<b>Total</b>	<u><u>59,520</u></u>	<u><u>71,418</u></u>	<u><u>63,355</u></u>	<u><u>31,440</u></u>

On 21 August 2015, Kanamoto Japan acquired 9.091% of the then shareholding of our Company for a consideration of HK\$2,488,934 as a pre-IPO investor. Please see the section "History and Development — Pre-IPO Investment" for further information.

### ***Background of Kanamoto***

Kanamoto Japan engages in the rental of construction equipment, engineering workstations and computer peripherals, as well as sale of steel products. Founded in 1964 and based in Japan, its shares are listed on the Tokyo Stock Exchange (First Section) and is a constituent of the JPX-Nikkei Index 400. It rents various hand tools and construction equipment and is also involved in the sales of various construction materials for engineering and construction works and the rentals and sale of computer-related equipment.

Kanamoto HK was incorporated in Hong Kong in 2009 as a wholly-owned subsidiary of Kanamoto Japan and engages in the rental of construction equipment in Hong Kong in cooperation with our Group.

### ***Our business relationship with Kanamoto***

Our business relationship with Kanamoto HK started in 2009, and since then our relationship has developed into a strategic partnership. We rent equipment which is not in our fleet from Kanamoto HK if the relevant equipment is required by our customers but is not available from our owned equipment and we in turn rent such equipment to our customers. If our customers decide to purchase a piece of equipment that is supplied by Kanamoto, we may purchase such equipment from Kanamoto and on-sell it to the customers, because we have well-established relationship with such customers, sale channels and customer base, whereas Kanamoto does not have such well-established sales channels and customer base in Hong Kong. Backed by Kanamoto Japan, it is able to provide us with a wide portfolio of equipment which we can purchase or rent, depending on our needs, and rent to our customers.

We believe that this arrangement and our close relationship with Kanamoto provides us with great operational flexibility, lighten our capital requirement for purchase of equipment fleet and enable us to source equipment at competitive price. In return, we cooperated with Kanamoto to expand its sales and market in Hong Kong and Macau, leveraging on our well-established customer networks and in-depth knowledge and experience in the Hong Kong and Macau markets.

### ***Kanamoto Cooperation Agreement***

On 19 June 2015, with a view to formalising the detailed terms of our long-term strategic cooperation with Kanamoto, we entered into the Kanamoto Cooperation Agreement, a legally-binding agreement, with Kanamoto HK and Kanamoto Japan pursuant to which the parties agreed to cooperate commercially in respect of equipment rental and other ancillary matters such as the provision of technical, maintenance, rental, acquisition, disposal and storage support. The following sets forth the principal terms and conditions of the cooperation agreement.

#### ***Term and renewal***

The cooperation agreement shall be effective for an initial term of five years and shall be automatically renewed on an annual basis upon expiry unless it is terminated.



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### *Scope of cooperation*

#### (i) Our rental of equipment from Kanamoto

We may from time to time rent equipment from Kanamoto HK or Kanamoto Japan with a view to rent such equipment to our own customers in the ordinary course of business and/or for our own use in accordance with the business plan (the “**Business Plan**”) to be provided by us on a semi-annual basis, including semi-annual projection of rental demand with breakdown of equipment details, the amount of investment to be made on equipment; and projection of the disposal of equipment.

Kanamoto Japan and Kanamoto HK shall ensure that there shall be sufficient supply of equipment to rent to us and shall make a minimum annual investment into our equipment in accordance with our needs as stipulated in the Business Plan.

We shall rent equipment from Kanamoto HK and/or Kanamoto Japan in accordance with pre-determined rental rates for each model, age and condition of equipment, which are subject to an annual review, where the rental rates may be adjusted by the parties in writing, with reference to the monthly rates we charged our customers over the preceding six months (which we make available to Kanamoto). Since we commenced our business relationship with Kanamoto, the rental rates have been adjusted in October 2012 and in February 2016. The rental rates that we have agreed with Kanamoto have been arrived at after normal commercial negotiation. We believe that the agreed rental rates generally reflect the market demand and market conditions and that we are generally able to pass on our increased hiring expenses to our customers. We consider that we have significant bargaining power in respect of our negotiation on rental rates with Kanamoto, as it does not have established sales channels in Hong Kong, and it is bound by the exclusivity, non-competition and non-solicitation clause, as set out above, which will survive termination and subsist for four years after expiration or termination of the Kanamoto Cooperation Agreement. Further, we generally only rent equipment from Kanamoto when there is corresponding demand for rental equipment from our customers. We consider that, because of such cooperative and strategic relationship, we and Kanamoto negotiated for and arrived at the rental rates with a common aim to generate optimal demand from our customers for the equipment, which is beneficial to both us and Kanamoto ultimately.

In relation to equipment rented from Kanamoto HK and/or Kanamoto Japan, we have a duty to carry out designated repair and maintenance work.

#### (ii) Ancillary support by Kanamoto

Kanamoto HK and Kanamoto Japan shall provide ancillary support to us in the form of, amongst others, technical, equipment maintenance and rental support, including:

- ensuring equipment are in fair and safe working conditions on first delivery;
- procuring technicians to (i) check and inspect equipment with our technicians on first delivery, (ii) provide training on the use and maintenance of equipment; (iii) check and inspect equipment with our technicians on the return of equipment;

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- carrying out designated repair and maintenance work;
- reimbursing us for the cost of battery replacements which is subject to a pre-determined cap.

### (iii) Our purchase and disposal of equipment for Kanamoto

We may purchase or dispose of equipment for Kanamoto from time to time upon their requests. In respect of purchase requests, a handling fee of 2.5% of the consideration for the purchase will be paid to us. In respect of disposal requests, the disposal commission fee received by us shall be 50% of the actual disposal price (paid by the purchaser) received minus (a) the direct costs and expenses incurred by us for the disposal, and (b) the disposal price originally expected to be received by Kanamoto and provided to us in the disposal request. Further, in any event, Kanamoto should reimburse us for all direct costs and expenses incurred by us for any disposal.

### (iv) Storage of equipment for Kanamoto

We may from time to time allow Kanamoto to store equipment that are not rented out on our premises for a fee which shall be determined based on an amount equal to the sharing ratio of the total storage expenses paid by us. We are entitled to demand Kanamoto HK and/or Kanamoto Japan to remove equipment from our premises with a 30 day written notice.

### *Product liability*

In relation to equipment of sub-standard quality which has any inherent defect which cannot reasonably be discovered or detected upon inspection upon delivery, Kanamoto shall (i) be liable for all costs and expenses incurred as a result of the dispute arising from such inherent defects; (ii) jointly and severally indemnify us of all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, settlement costs and other cost and expenses asserted against us arising from such inherent defect; and (iii) any rental fee payable by us shall be payable on a pro-rata basis up to the day such inherent defect was discovered.

### *Exclusivity, non-competition and non-solicitation*

Kanamoto shall not (i) be involved or engaged, directly or indirectly, in any business or arrangements which may or is likely to compete with our equipment rental business in Hong Kong and Macau; (ii) solicit any customers of us in connection with any business which may or is likely to compete with our equipment rental business in Hong Kong and Macau; and (iii) solicit and employ or attempt to solicit and employ any employees, former employees, representatives, or former representatives of us, except that Kanamoto has the right to solicit and enter into business with Japanese companies, and engage in the business of sale-and-lease-back of equipment in Hong Kong if such business is introduced to it by any financial institution wholly-owned by a Japanese person or company with its registered head office in Japan, provided that Kanamoto shall serve a written notice to us containing details of such transaction. The exclusivity, non-competition and non-solicitation restrictions on Kanamoto set out in this

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paragraph has been effective from the date of the Kanamoto Cooperation Agreement, and shall survive termination and subsist for four years after expiration or termination of the Kanamoto Cooperation Agreement.

### *Termination*

The agreement can be terminated by any party to the agreement (i) on the date of expiration of the initial term of five years provided that a six month prior written notice is served to all parties; (ii) on the date of expiration of subsequently renewed terms provided that a three month prior written notice is served; (iii) if any party is in material breach of their obligations; or (iv) by written agreement by all parties.

In the event that Kanamoto is in material breach of any of their obligations, upon termination of the agreement by us, Kanamoto shall use their best endeavour to provide services and support to us on terms identical to the agreement to enable us to discharge all of their duties and obligations to our customers.

### ***Mitigating our reliance on Kanamoto***

#### *Mutual and strategic business relationship*

We consider it is unlikely, barring any significant and unforeseeable changes in circumstances, that Kanamoto will terminate the Kanamoto Cooperation Agreement or its business relationship with us in the foreseeable future, on the basis that: (i) Kanamoto is one of our Shareholders who will hold approximately 7.5% of shareholding in our Company, and it has agreed not to dispose of its interests in our Company for five years after the Listing, as disclosed in the section “Underwriting — Underwriting Arrangements and Expenses — Undertakings by Kanamoto Japan pursuant to a deed of lock-up undertaking”, which corresponds with the duration of the Kanamoto Cooperation Agreement; (ii) our business relationship with Kanamoto is mutually beneficial financially and strategically, as Kanamoto does not have established sales channels in Hong Kong, and to the best of our knowledge, rental of equipment to us represents the vast majority of Kanamoto HK’s business and it heavily relies on us for its business in Hong Kong; (iii) Kanamoto is bound by the exclusivity, non-competition and non-solicitation clause under the Kanamoto Cooperation Agreement, as set out above, which will survive termination and subsist for four years after expiration or termination of the Kanamoto Cooperation Agreement, and (iv) we have developed a strategic and strong business relationship with Kanamoto since 2009.

#### *Decreasing reliance on rented fleet*

Further, our rental fleet comprises both equipment rented from Kanamoto and other suppliers, as well as our owned equipment. We also plan to use approximately HK\$50.0 million of the proceeds of the Global Offering, based on the mid-point of the Offer Price range, for investment in our rental equipment. Our rental income from rented equipment has gradually reduced, in terms of percentage of our total revenue, during the Track Record Period, representing 81.9%, 73.3%, 68.6% and 63.2% of our rental income for the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, respectively. While

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we intend that our rental fleet will continue to comprise rented equipment and owned equipment, we consider that our existing and additional owned equipment will reduce the significance of our reliance on Kanamoto.

### *Availability of alternative suppliers*

There is a large number of sizable suppliers for construction equipment and we have well-established connections with a number of such suppliers, including some of our top five suppliers during the Track Record Period, as set out in the section “Supplies and Procurement — Top Five Suppliers”. As Mr. Lau and Ms. Chan, our executive Directors, have over 33 years of experience in our industry, they have maintained business or personal relationship with a number of major suppliers in the industry. In particular, we have been in discussion with (i) Supplier B, a Sweden-based international supplier of equipment, such as compressors, vacuum solutions and air treatment systems, construction and mining equipment, power tools and assembly systems, to more than 180 markets, with whom we have over five years of business relationship, (ii) Supplier E, a Japan-based manufacturer which supplies engine-driven generators, welders and air compressors, with whom we have over two years of business relationship, and (iii) Supplier F, a US-based designer and manufacturer of access equipment, such as boom lifts, scissor lifts and telehandlers, with whom we have over one year of business relationship, to further strengthen our strategic cooperation and business relationship in terms of supply of equipment to us. Our Directors believe, to the best of their knowledge, that they are not subject to any exclusive arrangement with other companies that would prevent them from supplying equipment to us, and they will be willing and ready to supply us with the additional equipment we require in the event that the Kanamoto Cooperation Agreement is terminated.

Our Directors consider that the quality of the equipment supplied by these alternative suppliers are comparable to that of Kanamoto, and, based on our experience, historical relationship and transactions made with them, our Directors believe that the pricing and terms of supply offered by these alternative suppliers will be similar to those offered by Kanamoto, taking into account the large quantity of equipment to be supplied by them in the event that our relationship with Kanamoto is terminated.

Our contingency plan for the event that our relationship with Kanamoto is disrupted or terminated includes procuring supply or rental of equipment from our alternative suppliers, including, among others, Supplier B, Supplier E and Supplier F, as set out above, or forming strategic or cooperation relationships with such suppliers to provide equipment rental services. We believe that we will be able to purchase or rent the equipment we require from the alternative suppliers without any significant difficulty, but there may be material interruptions to our operations and business before we can secure supply and rental of equipment from other suppliers for the large quantity of equipment that we may need, and it may take time for us to negotiate and/or finalise the purchase and rental terms with the other suppliers. In this respect, we intend to continue to maintain our relationship with the alternative suppliers, and carry out further in-depth discussion with such alternative suppliers, including an approximate estimation of the types and quantity of equipment that we may require them to supply, and, where feasible, obtain and negotiate the price and supply terms with them in advance, in order that in the event our relationship with Kanamoto is disrupted or terminated, we can timely finalise and agree with them the terms of supply of equipment to us. Despite the above contingency plan and

measures, there is no assurance that we may be able to purchase or rent equipment from other suppliers on similar or favourable terms as we currently do from Kanamoto, such as Kanamoto's commitment to ensure that there shall be sufficient supply of equipment to rent to us under the Kanamoto Cooperation Agreement, and we may not be able to rent equipment from other suppliers on an as-needed basis as efficiently. This may have a significant adverse effect on our operations, business and results of operations. Please see "Risk Factors — Deterioration or termination of one or more of our relationships with any of our major equipment suppliers, in particular Kanamoto, our largest supplier, could have a significant adverse effect on our operations, business and results of operation" for details of the relevant risks.

### **Supply during the Track Record Period**

We believe that because of our well-established relationship with our major suppliers, we have not experienced any material shortage or delay of supply. We have not been subject to material price increases by our suppliers during the Track Record Period, and we believe that in the event of price increases, we have the ability to respond to a portion of the price increase by raising the prices of our products.

### **Top Five Suppliers**

For the years ended 31 March 2013, 2014 and 2015, and the six months ended 30 September 2015, our purchases from and rental paid to our five largest suppliers represented 72.8%, 61.0%, 70.4% and 71.9%, respectively, of our Total Purchases, and purchases from and rental paid to our single largest supplier, Kanamoto HK, accounted for 54.7%, 37.6%, 35.8% and 30.8%, respectively, of our Total Purchases in the respective periods. We rented and purchased equipment from Kanamoto during the Track Record Period, as set out in the paragraph "Our Relationship with Kanamoto" above, and purchased equipment from the other top five suppliers for the periods during the Track Record Period as set out in the table below.

All of our five largest suppliers during the Track Record Period are Independent Third Parties<sup>(1)</sup>. To the best of our Directors' knowledge, save as disclosed in note (1) below, none of our Directors or their respective close associates or any person who, to the knowledge of our Directors, owns more than 5% of our issued share capital or of any of our subsidiaries, had any interest in any of our five largest suppliers during the Track Record Period.

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*Note:*

<sup>(1)</sup> Kanamoto HK is wholly owned by Kanamoto Japan, whose shareholding in our Company will be approximately 7.5% upon the Listing.

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The table below sets out information of our top five suppliers for the periods indicated:

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

Supplier	Principal business	Supplier relationship with us	Years of relationship	Transaction amount (HK\$ million)	% of our Total Purchases	Payment terms	Settlement method
Kanamoto HK	Please see the section "Background of Kanamoto" above.	We rented and purchased equipment from them.	6 years	59.5	54.7	180 days	Bank transfer
Supplier A	Korea-based company engaged in shipbuilding, offshore engineering, industrial plant and engineering, engine and machinery, electric systems, construction equipment, and green energy	We purchased equipment from them.	3 years	7.0	6.4	Cash on delivery	Telegraphic transfer
Supplier B	Sweden-based international supplier of compressors, vacuum solutions and air treatment systems, construction and mining equipment, power tools and assembly systems, to more than 180 markets	We purchased equipment from them.	5 years	5.1	4.7	30 days	Bank transfer
Supplier C	Japan-based exporter of construction machinery	We purchased equipment from them.	2 years	4.1	3.8	Cash on delivery	Telegraphic transfer
Supplier D	Exporter of used forklifts and used construction machinery from Japan	We purchased equipment from them.	3 years	3.5	3.2	Cash on delivery	Telegraphic transfer

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

Supplier	Principal business	Supplier relationship with us	Years of relationship	Transaction amount (HK\$ million)	% of our Total Purchases	Payment terms	Settlement method
Kanamoto HK	Please see the section "Background of Kanamoto" above.	We rented and purchased equipment from them.	6 years	71.4	37.6	180 days	Bank transfer
Supplier C	Japan-based exporters of construction machinery	We purchased equipment from them.	2 years	13.3	7.0	Cash on delivery	Telegraphic transfer
Supplier B	Sweden-based international supplier of compressors, vacuum solutions and air treatment systems, construction and mining equipment, power tools and assembly systems, to more than 180 markets	We purchased equipment from them.	5 years	13.0	6.9	By instalment in 180 days	Bank transfer
Supplier D	Exporter of used forklifts and used construction machinery from Japan	We purchased equipment from them.	3 years	9.6	5.0	30 days	Telegraphic transfer
Supplier E	A Japan based manufacturer which supplies engine-driven generators, welders and air compressors	We purchased equipment from them.	2 years	8.5	4.5	Cash on delivery	Telegraphic transfer

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

Supplier	Background and principal business nature	Supplier relationship with us	Years of relationship	Transaction amount <i>(HK\$ million)</i>	% of our Total Purchases	Payment terms	Settlement method
Kanamoto HK	Please see the section "Background of Kanamoto" above.	We rented and purchased equipment from them.	6 years	63.4	35.8	180 days	Bank transfer
Supplier E	A Japan-based manufacturer which supplies engine-driven generators, welders and air compressors	We purchased equipment from them.	2 years	21.4	12.1	Cash on delivery	Telegraphic transfer
Supplier F	A US-based designer and manufacturer of access equipment such as boom lifts, scissor lifts and telehandlers	We purchased equipment from them.	1 year	19.4	11.0	90 days	Telegraphic transfer
Supplier H	One of Japan's leading truck-mounted crane manufacturers	We purchased equipment from them.	1 year	12.0	6.8	Cash on delivery	Telegraphic transfer
Supplier G	A US-based manufacturer of heavy equipment which supplies aerial work platforms, construction cranes, materials processing and mining and road building and utility products	We purchased equipment from them.	1 year	8.3	4.7	90 days	Telegraphic transfer



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### *For the six months ended 30 September 2015*

Supplier	Background and principal business nature	Supplier relationship with us	Years of relationship	Transaction amount (HK\$ million)	% of our Total Purchases	Payment terms	Settlement method
Kanamoto HK	Please see the section "Background of Kanamoto" above.	We rented and purchased equipment from them.	6 years	31.4	30.8	180 days	Bank transfer
Supplier E	A Japan-based manufacturer which supplies engine-driven generators, welders and air compressors	We purchased equipment from them.	2 years	17.1	16.8	Cash on delivery	Telegraphic transfer
Supplier F	A US-based designer and manufacturer of access equipment such as boom lifts, scissor lifts and telehandlers	We purchased equipment from them.	1 year	12.1	11.8	90 days	Telegraphic transfer
Supplier G	A US-based manufacturer of heavy equipment which supplies aerial work platforms, construction cranes, materials processing and mining and road building and utility products	We purchased equipment from them.	1 year	6.9	6.8	90 days	Telegraphic transfer
Supplier D	Exporter of used forklifts and used construction machinery from Japan	We purchased equipment from them.	3 years	5.9	5.8	30 days	Telegraphic transfer

## **SALES AND CUSTOMERS**

We maintain a strong sales and marketing orientation, which we believe helps us to increase our customer base and better understand and serve our customers.

### **Sales Channels**

We have two sales offices in Hong Kong and Macau as at the Latest Practicable Date. Our sales and marketing team is equipped with equipment know-how to provide professional guidance on equipment selection, price and payment.

### **Pricing Policy**

We determine rental rates for our equipment based on such factors as the purchase and maintenance cost, expected utilisation rate, quantity of available equipment, market demand, market price and the general market conditions, and we also adjust rental rates based on the volume of equipment rented, rental duration and other competitive considerations. We maintain a standard price list for our equipment, and review the price list from time to time.

For sales of equipment, we generally determine the pricing based on various factors, including our procurement costs, profit margin, age of the equipment and market demand.

### **Customer Service**

We place a high priority on providing our customers with consistently high quality service and support, which we believe is critical to our success. In addition to the technical support services, details of which are set out in the sub-section “Technical support and services” above, we provide customers with extensive pre-sale, sale and post-sale services.

We often provide pre-sale consultation services to our potential customers and provide recommendations on the types and number of equipment to achieved their target results, as set out in the sub-section “Our Operations — Pre-rental Stage” above. We offer our customers extensive pre-rental consultation on technical specifications optimisation and procurement management. In addition, we maintain customer relationship, secure new trading and rental contracts, explore new business and participate in marketing and promotional activities.

We arrange for equipment operation and safety training for our rental customers as part of our customer service and our measures to reduce the risks of accidents and damage to our equipment. In addition, we operate an in-house call hotline, with staff that is highly trained and knowledgeable about our equipment.

### **Marketing and Promotion**

We believe that the professional services by our specialised trained workforce strengthen our customer relationships and fosters customer loyalty; we nevertheless market our equipment and services through our printed promotional pamphlets, participation in trade exhibitions and our company web-site.

### **Customer Feedback and Complaint Handling**

We consider customer feedback a valuable tool for improving our service. We take customer feedback seriously and have established a set of procedures for handling customer complaints. During the Track Record Period, we did not receive any complaint which had a material impact on our business and operation.

### **Product Returns and Warranty**

For new equipment that we source from suppliers and on-sell to customers, some suppliers will give us a warranty for such new equipment and we will provide a similar warranty to the relevant customer. For the used equipment sold by us to customers in Hong Kong and Macau, depending on the type and condition of the equipment and the relevant contract terms, we may provide a maximum warranty period of 300 operating hours and up to 6 months for equipment defects. We generally do not allow product return or refunds for our products. During the Track Record Period, we have not experienced any product return which has a material impact on our business and operation, and we have not recalled any product due to quality or other issue.

### **Seasonality**

We did not experience any material seasonal fluctuation in our sales during the Track Record Period.

### **Our Customers**

We have a large and diversified customer base and we have established long-term relationships with numerous major local and international construction and E&M engineering companies engaged in public and private construction and E&M engineering projects in Hong Kong and Macau. It is common in the construction and E&M engineering market that contractors form joint ventures to jointly participate in large-scale construction and E&M engineering project on a project-by-project basis, and such joint ventures are usually the contracting parties who engage us for our rental and other services for the particular projects. While our major customers based on contractual relationship may change from year to year, our business relationships with the major construction and E&M engineering companies are stable and long term; and we believe we are the trusted business partners of such companies for equipment rental in mega-size and major construction and E&M engineering projects.

Our customers also include other construction and E&M engineering equipment and machinery companies in Hong Kong and Macau. Because of our large fleet of rental equipment of a wide variety, other equipment companies may rent equipment from us that they do not own when it is required by their own customers.

Our major customers generally make payment to us by cheque or telegraphic transfer. We generally allow our customers a credit period of up to 45 days. However, during the Track Record Period, several of our customers (mostly sizable construction companies) took longer to settle the amounts due to us. As a result, we recorded average trade receivable turnover days of 81, 82, 87 and 88 days for the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, respectively.

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### **Top five customers**

For the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, our five largest customers accounted for 34.1%, 37.9%, 24.9% and 25.0% of our total revenue, while the largest customer accounted for 9.8%, 12.4%, 7.8% and 9.5%, respectively of our total revenue for the respective periods.

All of our five largest customers during the Track Record Period are Independent Third Parties. To the best of our Directors' knowledge, none of our Directors or their respective close associates or any person who, to the knowledge of our Directors, owns more than 5% of our issued share capital or of any of our subsidiaries, had any interest in any of our five largest customers during the Track Record Period.

The table below sets out information of our top five customers for each of the periods indicated:

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

Customer	Background and principal business nature	Years of relationship	Transaction amount <i>(HK\$ million)</i>	% of our revenue	Payment terms	Settlement method
Customer A	Construction contractor	4 years	15.6	9.8%	Cash on delivery	Cheque
Customer B	Contractor in engineering procurement construction contracts, build, operate, transfer contracts covering marine engineering, dredging and reclamation, roads and bridges, railways, airports, equipment assembly	3 years	13.2	8.3%	Cash on delivery	Cheque
Customer C	Construction contractor of underground railway system	4 years	9.9	6.2%	Cash on delivery	Bank transfer
Customer D	Construction of civil engineering works and building works	4 years	8.2	5.2%	30 days	Bank transfer
Customer E	Construction contractor of underground railway system	5 years	7.5	4.7%	Cash on delivery	Cheque

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

<b>Customer</b>	<b>Background and principal business nature</b>	<b>Years of relationship</b>	<b>Transaction amount</b> <i>(HK\$ million)</i>	<b>% of our revenue</b>	<b>Payment terms</b>	<b>Settlement method</b>
Customer C	Construction contractor of underground railway system	4 years	27.0	12.4%	Cash on delivery	Bank transfer
Customer B	Contractor in engineering procurement construction contracts, build, operate, transfer contracts covering marine engineering, dredging and reclamation, roads and bridges, railways, airports, equipment assembly	3 years	18.0	8.3%	Cash on delivery	Cheque
Customer A	Construction contractor	4 years	17.6	8.1%	Cash on delivery	Cheque
Customer D	Construction of civil engineering works and building works	4 years	12.6	5.8%	30 days	Cheque
Customer F	Construction contractor	4 years	7.5	3.4%	Cash on delivery	Cheque

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

<b>Customer</b>	<b>Background and principal business nature</b>	<b>Years of relationship</b>	<b>Transaction amount</b> <i>(HK\$ million)</i>	<b>% of our revenue</b>	<b>Payment terms</b>	<b>Settlement method</b>
Customer A	Construction contractor	4 years	17.8	7.8%	Cash on delivery	Cheque
Customer C	Construction contractor of underground railway system	4 years	12.8	5.6%	Cash on delivery	Bank transfer
Customer G	Construction equipment rental	1 year	10.2	4.5%	30 days	Cheque
Customer H	Machinery hiring and trading	5 years	8.9	3.9%	30 days	Cheque
Customer D	Construction of civil engineering works and building works	4 years	7.2	3.2%	30 days	Cheque

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*For the six months ended 30 September 2015*

Customer	Background and principal business nature	Years of relationship	Transaction amount (HK\$ million)	% of our revenue	Payment terms	Settlement method
Customer A	Construction contractor	4 years	11.6	9.5%	Cash on delivery	Cheque
Customer G	Construction equipment rental	1 year	7.1	5.8%	30 days	Cheque
Customer H	Machinery hiring and trading	5 years	4.2	3.5%	30 days	Cheque
Customer I	Construction company	2 years	3.8	3.1%	45 days	Cheque
Customer C	Construction contractor of underground railway system	4 years	3.7	3.0%	Cash on delivery	Bank transfer

*Note:* The transaction amounts do not include any proceeds from disposal of our rental equipment.

### INVENTORY

Our inventory primarily consists of equipment and spare parts held for trading purpose and spare parts for our technical support services.

New equipment transactions are placed based on forecasted trading and rental demands in order to reduce delivery lead times. Such equipment will be carried as inventory pending sale.

We also hold spare parts in inventory for sale to our customers and for our technical support services.

### RESEARCH AND DEVELOPMENT

As we purchase or rent the equipment and products from our suppliers, we do not have to incur any material research and development expenses.

We also intend to develop a GPS monitoring system to enhance the quality of our rental equipment services. For details, please see "Our Strategies" above in this section.

## **MARKET AND COMPETITION**

We operate in the rental of construction equipment market in Hong Kong and Macau. For the year ended 31 March 2015, our income from rental services accounted for 83.0% of our total revenue.

### **Hong Kong Construction Equipment Rental Market**

According to the F&S Report, from 2010 to 2014, total revenue of construction equipment rental market increased from HK\$1,639.0 million to HK\$3,758.9 million at a CAGR of 23.1%, driven by strong demand from construction work in both private and public sectors. Especially, implementation of the Ten Major Infrastructure Projects since 2007 has stimulated the demand for construction equipment. According to Frost & Sullivan, most companies realised rental revenue over HK\$10 million and some of them generated revenue of more than HK\$100 million.

Our equipment rental income is correlated with the level of construction activities in Hong Kong, and our equipment rental income generated in Hong Kong were HK\$116.9 million, HK\$135.9 million, HK\$127.3 million and HK\$66.7 million for the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, respectively.

### **Macanese Construction Equipment Rental Market**

From 2010 to 2014, the rental revenue of construction equipment experienced dramatic growth from MOP96.4 million in 2010 to MOP840.6 million in 2014 driven by the development of casinos and hotels since 2012 and investment by government on infrastructural projects. According to Frost & Sullivan, most companies generated rental revenue below MOP10 million.

Demand for our construction equipment grew along with the progress of the Macau construction projects during the Track Record Period, and our equipment rental income generated in Macau were HK\$2.5 million, HK\$7.8 million, HK\$34.4 million and HK\$21.6 million for the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, respectively.

### **Entry Barrier to the Construction Equipment Rental Market**

The rental service providers of different equipment have different advantages in the relevant equipment rental service. Generally, it is difficult for new players in the market to gain core competitiveness in the equipment rental market as the industry leaders are developing to become more specialised on machinery rental services. The existing leaders enjoy competitive advantages as they are more well-established in the market and are also more professional in the specialised construction equipment rental.

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### EMPLOYEES

We had a total of 138 employees as at the Latest Practicable Date, of which 131 are in Hong Kong and seven are in Macau. Sets forth below is a breakdown of the number of our employees by functions as at the Latest Practicable Date:

#### Number of employees

Management and administrative	29
Sales and marketing	10
Procurement	3
Equipment operators	42
Transportation	8
Technicians	45
Other	<u>1</u>
TOTAL	<u><u>138</u></u>

### Employee Training

We believe our employees are the most valuable resource to us.

Technical staff attend seminars jointly conducted by manufacturers and us to acquire product knowledge to ensure they are equipped with the necessary skills and knowledge to perform their duties. Such seminars include training regarding the equipment structures, operational features, operator safety training and equipment repair.

The strength of our training system is illustrated by the recognition by the Labour Department in Hong Kong of our safety training course for new operators of spider cranes in Hong Kong and issue the relevant operator licence.

In addition to the training jointly conducted by manufacturers and us, our technical staff also attend external training courses and obtained relevant certificates, such as Certificate for Gas Welding Safety Training Course issued by Hong Kong Human Resources Ltd., Certificate of Safety Supervision (construction industry) issued by The Hong Kong Safety Training Association, safety training course for Electric Arc Welding Safety Training Certificate issued by Hong Kong Human Resources Ltd., certificate for Shipboard Cargo Handling Basic Safety Training Course issued by The Hong Kong Human Resources Ltd. and Safe Use & Mounting of Abrasive Wheels Certificate issued by The Hong Kong Safety Training Association.

### Qualifications of our Employees

Our equipment operators may be required to be engaged in construction works on construction sites from time to time, and they are required to obtain the relevant permits and qualifications, such as the Construction Industry Safety Training Certificate (commonly known as the “**Green Card**”) issued by Hong Kong Human Resources Ltd. and “Construction Workers Registration Card” issued by the Construction Industry Council (“**CIC**”). Our equipment operators and our technical staff also hold certificates issued by the relevant authorities or organisations



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for the operation of the relevant equipment such as certificates for operation of different types of equipment issued by the CIC, “Certificate of Certified Worker of Confined Spaces Operation” issued by Hong Kong Human Resources Ltd. and “Certificate of Registration of Electrical Worker” qualification issued by the Electrical and Mechanical Services Department in Hong Kong.

### PROPERTIES

We leased a total of five properties in Hong Kong and four properties in Macau, as at the Latest Practicable Date. These leased properties are primarily used for offices, training centre and yards or warehouse for storing our rental equipment fleet and spare parts. All leased properties are leased under tenancy agreements which do not contain any covenants, easements, exceptions or reservations of an unusual or unduly onerous nature for an agreement of this nature. Terms of these lease agreements range from 1 year to 5 years.

The following table sets out a summary of the leased properties of our Group:

#### Hong Kong

Property	Location	Description and restriction under government lease	Usage specified in outline zoning plan (“OZP”) under Town Planning Ordinance	Actual usage	Approximate GFA (sq. ft.)
Property 1	Portion of Lot No. 373 in D.D.110, Yuen Long, New Territories	<ul style="list-style-type: none"> <li>— Not to be used for noisy or offensive trade;</li> <li>— Not to be converted into use for building purpose (unless for agricultural occupation)</li> </ul>	Area zoned for agricultural or open storage under OZP, subject to a planning permission by the Town Planning Board (“TPB”) for open storage of construction materials and machinery with ancillary office	Open storage of equipment	29,600
Property 2	Lot No. 385 in D.D.110, Yuen Long, New Territories	<ul style="list-style-type: none"> <li>— Not to be used for noisy or offensive trade;</li> <li>— Not to be converted into use for building purpose (unless for agricultural occupation)</li> </ul>	Area zoned for agricultural or open storage under OZP, subject to a planning permission by the TPB for open storage of construction materials and machinery with ancillary office	Open storage of equipment	13,100
Property 3 (Note)	Lot Nos. 562, 563 and 565 in D.D.114, Yuen Long, New Territories	<ul style="list-style-type: none"> <li>— Not to be used for noisy or offensive trade;</li> <li>— Not to be converted into use for building purpose (unless for agricultural occupation)</li> </ul>	Area zoned for Industrial (Group D) under the OZP which permits use as open storage according to the Schedule of Use of the OZP	Open storage of equipment	16,100

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Property	Location	Description and restriction under government lease	Usage specified in outline zoning plan ("OZP") under Town Planning Ordinance	Actual usage	Approximate GFA (sq. ft.)
Property 4 (Note)	Portion of Subsection 3 of Section B of Lot No. 560, Portion of Section B of Lot No. 564, Lot No. 608 and Section A of Lot No. 609 in D.D.114	— Not to be used for noisy or offensive trade;  — Not to be converted into use for building purpose (unless for agricultural occupation)	Area zoned for Industrial (Group D) under the OZP which permits use as open storage according to the Schedule of Uses of the OZP	Open storage of equipment	40,700
Property 5	Unit 15 on 19 Floor, Seapower Tower, Concordia Plaza, No. 1 Science Museum Road, Kowloon	Property shall be used for non-industrial (excluding godown, hotel, residential and petrol filling station) purposes	Area zoned for commercial use under the OZP which permits use as office according to the Schedule of Uses of the OZP	Office	2,000

### Macau

Property Number	Location	Approximate GFA (sq. ft.)
Property 1	Lau Lei Garden, Carpark space n. 40, Nível 3, Taipa, Rua Chong Heng, n. 293, Unit P3–40, Taipa	130
Property 2	Alameda Dr. Carlos D'Assunção, n. 180, Tong Nam Ah Jardim (Edif. Tong Nam Ah Central Comércio), 4 andar "B"	640
Property 3	Avenida do Dr. Sun Yat Sen, n. 544–C, Edif. Great China Plaza, Fracção F14, Taipa	1,400
Property 4 <sup>(Note)</sup>	Rural Land Ka-Ho Village, Coloane	8,500

*Note:* This property is leased from lessors whose right to grant such lease/sub-lease to our Group is in doubt.

As advised by our Hong Kong legal advisers, for two out of our five leased properties in Hong Kong (the "**Two HK Leased Properties**"), we have entered into lease agreements which the party whose rights to grant such sub-lease to us are in doubt. The lessor(s) of these Two HK Leased Properties shown in the Land Registry of Hong Kong (the "**Registered Landlord(s)**") do not match the name of the Lessor(s) in the respective tenancy agreements (the "**Purported Lessor(s)**"). These Two HK Leased Properties are used as storage of our rental equipment. We understand that the relevant Purported Lessor was the tenant of the relevant Registered Landlord and our Directors believe that such arrangements are in line with the common norm for land management in the New Territories.

Our Directors were further advised that, if the Purported Lessor(s) are found to not be the tenant of the Registered Landlord(s), our Group may be liable to allegation(s) of trespassing by the Registered Landlords or other relevant parties, who might evict us from the land and claim a

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maximum amount of approximately HK\$5.2 million. Our Hong Kong legal advisers have also advised that in the event the aforesaid actions are taken by the Registered Landlords or other relevant parties, our Group could make a claim against the Purported Lessor(s) on the ground of misrepresentation that the Purported Lessor(s) has the right to lease the aforesaid properties to us. If we are required to be vacated from the Two HK Leased Properties, our Directors currently expect the relocation cost be approximately HK\$500,000 and would take around one to two month(s) time for relocation.

One of our four leased properties in Macau (the “**Macau Leased Property**”), which is used as storage for our rental equipment, is located on a rural land in Coloane Island, Macau. As advised by our Macau legal advisers and based solely on the address provided in the tenancy agreement, the land is not registered on the Macau Land and Real Estate Registry. Hence, the lessor’s right to lease the Macau Leased Property is in doubt as we are not able to ascertain the legal owner from public information. Our Directors are further advised that, in case any person other than our lessor is able to prove himself as the legal owner of the Macau Leased Property in the courts of Macau, we may be evicted from the Macau Leased Property. In such case, we currently estimate that the relocation cost will be approximately HK\$200,000 and would take around one to two month(s) time for relocation. We are also advised that any legal consequence for non-compliance with the land use shall only be borne by the legal owner.

In this regard, Mr. Lau and Ms. Chan, each being our Controlling Shareholder, collectively as the indemnifiers, have entered into the Deed of Indemnity in favour of our Company, under which the indemnifiers jointly and severally covenant and undertake with our Company to indemnify our Group in relation to the property title defects regarding the Two HK Leased Properties and the Macau Leased Property.

Our Directors are of the view that the Two HK Leased Properties and the Macau Leased Property are not individually or collectively crucial to our operations because our Directors believe that, in the event that we are not able to renew any of these leases or being vacated from them, we shall be able to relocate to other premises of similar size in around one to two month(s) time and the aggregate relocation cost will be approximately HK\$700,000. However, if we are unable to secure such premises in a timely manner, we may have to incur extra cost and time in such relocation which may affect our operation and financial results. For details, please see “Risk Factors — we may not be able to secure suitable premises for storage of our equipment within our expected timeframe and at a commercially reasonable price”.

Our Directors have been advised by our Hong Kong legal advisers that usage of our leased properties in Hong Kong as set out in the table above does not contravene any restrictions on usage under the relevant government leases or the laws and regulations in respect of zoning or town planning in Hong Kong. Our Directors have also been advised that, currently, there is no zoning requirements or restrictions imposed by government authorities in Macau. Save as the irregularity of the Macau Leased Property mentioned earlier, the usage of our leased properties in Macau complies with permitted land use in Macau.

Our Directors confirm that any additional storage facilities to be leased by our Group in the future will be located on premises that comply with the relevant zoning and permitted land use requirements.

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As at the Latest Practicable Date, we did not own any property. Our leased properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. According to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), the prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

### HEALTH, WORK SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

Our business is subject to certain health, work safety, social and environmental laws and regulations. Our service team supervisor monitors compliance with legal requirements and our internal standards in respect of such matters. Our Directors consider that the annual cost of compliance with the applicable health, work safety, social and environmental laws and regulations was not material during the Track Record Period and the cost of such compliance is not expected to be material going forward.

The Environmental Protection Department in Hong Kong has developed and implemented the “Quality Powered Mechanical Equipment” system to encourage the use of construction equipment items that are new, notably quieter, more environmentally friendly and efficient. Subject to the relevant cost and expenses, we intend to gradually apply for such QPME labels for approximately 829 units of the equipment to which the QPME System is applicable, approximately 810 units of which have obtained the QPME labels. We believe that our efforts in obtaining the QPME labels for our equipment and our ability to obtain QPME labels for almost all of our equipment illustrate our emphasis on the quality and environmental friendliness of our equipment. We believe that our customers would take this factor into consideration when they decide on equipment rental, in particular for public construction or E&M engineering projects. Please also see the sub-section “Legal and Compliance Matters — NRMM Regulation” below for information on our compliance with the NRMM Regulation.



We have not been subject to any material claim or penalty in relation to health, work safety, social and environmental protection and have not been involved in any accident or fatality and have been in compliance with the applicable Hong Kong and Macau laws and regulations in all material aspects during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, we have not encountered any fatal accidents involving our employees or our equipment. Given the nature of our operations, our employees may be involved in accidents caused by common workplace issues in the construction industry resulting in injuries. During the Track Record Period and as at the Latest Practicable Date, there have been five accidents which resulted in bodily injuries. Amongst these five accidents, four of them are employees compensation claims (“**EC Claims**”) and one of them is an accident which resulted in a prosecution under section 6(1), 6(2)(c) and 6(3) of the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) (“**OSHO Case**”). One out of the four EC Claims was fully settled at approximately HK\$306,000 and the claimed amount of the rest of the EC Claims are yet to be assessed, but each is subject to the jurisdiction of the District Court of Hong Kong with a potential maximum claim of HK\$1,000,000. Our Directors are advised by our Hong Kong legal advisers that the maximum

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potential liability of the OSHO Case, if found guilty, will be a fine of HK\$200,000. Our Directors confirmed that potential liabilities arising from the EC claims shall be covered by our insurance policies of our Group and our customers. However, the OSHO Case will not be covered by our insurer. The maximum potential liability that will be borne by our Group will be a fine of HK\$200,000. In this regard, Mr. Lau and Ms. Chan, each being our Controlling Shareholder, collectively as indemnifiers, have entered into the Deed of Indemnity in favour of our Company, under which the indemnifiers jointly and severally undertake with our Company to indemnify our Group in relation any liability arising from the OSHO Case.

### INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we have filed application for the registration of our material marks in used in Hong Kong and Macau, including “” and “”. For details of our intellectual property rights, please see the section “Statutory and General Information — B. Further Information about the Business — 2. Our material intellectual property rights” in Appendix IV.

To the best of our Directors’ knowledge and belief, during the Track Record Period, there were no material instance of infringement of intellectual property rights or disputes between our Group, our customers and other third parties in respect of intellectual property rights.

### INSURANCE

Our Directors consider our insurance coverage to be customary for businesses of our size and type and in line with the industry practice. We primarily maintain insurance for (i) employee’s compensation for injuries or death in the course of employment; and (ii) public liability insurance covering accidental bodily injury or accidental damage to property caused by the fault or negligence of our Group.

In respect of our rental operations, as stated in our rental agreements, our customers are generally required to insure the equipment at their own expense during the rental period against machinery all risks.

In respect of the rental of our equipment on an operated basis (where we provide our operators to operate the equipment on customers’ job sites), in addition to insuring our equipment against all risks, our customers are generally required to maintain insurance coverage for both employee’s compensation insurance and public liability insurance to cover risk of bodily injury of our operators.

### LEGAL AND COMPLIANCE MATTERS

#### NRMM Regulation

Under the NRMM Regulation, from 1 September 2015, all regulated machines sold or leased for use in Hong Kong must be approved or exempted with a label issued by EPD (“**NRMM Label**”). Owners of existing non-road mobile machinery must apply for exemption during the six-month grace period between 1 June and 30 November 2015. Starting from 1 December 2015 only approved or exempted non-road mobile machinery with a proper label are allowed to be used in specified activities and locations including construction sites, container

terminals and back up facilities, restricted areas of the airport, designated waste disposal facilities and specified processes. For further information, please see the section “Regulatory Overview — NRMM Regulation”. As at the Latest Practicable Date, we have filed application for all equipment subject to the NRMM Regulation and 99.6% of these equipment have obtained such NRMM label. In the event that we are unable to obtain the NRMM label for any of the remaining equipment, such equipment will be used for our internal purposes or disposed to other countries, for which the NRMM label is not required. As most of these remaining equipment are new equipment, considering their estimated resale value, we do not consider that any material impairment loss will be required.

### **Licences and Permits**

The operation of our business is not subject to any specific licensing requirements. Our Directors confirm that as at the Latest Practicable Date, to the best of their knowledge and belief, we have obtained all necessary approvals, permits and licences that are material to our business operations from the relevant government authorities.

Our management reviews our business practices regularly to ensure our compliance with all licencing requirements and the successful annual renewal of our licences. To the best knowledge and belief of our Directors, our Directors do not foresee any major legal impediment for our continual renewal of the above licences.

### **Non-compliance Incidents**

During the Track Record Period and as at the Latest Practicable Date, we have not been involved in any material non-compliance matters involving our Group or our employees which resulted in a material impact on our business operation, financial condition or reputation.

### **Competition Ordinance**

The Competition Ordinance (Chapter 619 of the Laws of Hong Kong) (“**CO**”), entered into force on 14 December 2015, prohibits conduct that prevents, restricts or distorts competition in Hong Kong. The First Conduct Rule in the CO provides that an undertaking must not (a) make or give effect to an agreement; (b) engage in a concerted practice; or (c) as a member of an association of undertakings, make or give effect to a decision of the association, if the object or effect of the agreement, concerted practice or decision is to prevent, restrict or distort competition in Hong Kong. The Second Conduct Rule provides that an undertaking that has a substantial degree of market power in a market must not abuse that power by engaging in conduct that has as its object or effect the prevention, restriction or distortion of competition in Hong Kong. Penalties that may be imposed for contraventions of a competition rule include pecuniary penalties (up to 10% of the annual turnover obtained by the undertaking concerned in Hong Kong for each year the infringement lasted, with a maximum of three years), awards of damages, and disqualification of responsible directors for up to five years. Please see the section “Regulatory Overview — Competition Ordinance” for details.

***Measures taken to ensure compliance with the Competition Ordinance***

We have taken the following measures to ensure compliance with the Competition Ordinance.

- (i) Our executive Directors and senior management team have reviewed the publications and guidance materials of the Competition Commission to understand the requirements and implications of the Competition Ordinance.
- (ii) Our executive Directors have reviewed our business practices to identify the competition law risks that our business faces, and consider the seriousness of the risks.
- (iii) We have appointed Mr. Wong Cheuk Man, Mr. TF Lau and Mr. Lee Lut Kei as our compliance officers in respect of compliance with the Competition Ordinance.
- (iv) We have adopted a comprehensive Competition Law Compliance Policy, which has been circulated to all relevant employees. The policy includes, among other things, (i) an introduction on the Competition Ordinance, (ii) guidelines on employee conduct, and (iii) a whistle blowing policy for contravention of the Competition Ordinance. A violation of the policy will lead to appropriate disciplinary action against the relevant employee.

The guidelines on employee conduct include, among other things, the following:

- (a) When our employees engage in any contact with a competitor, they shall not agree or discuss with a competitor:
  - prices (actual or intended) we set for our equipment according to our internal pricing guideline;
  - discuss with a competitor our costs or the prices that we pay to any part of the supply chain; and
  - form agreements with competitors to inflate tenders so as to cover the bid costs of the losers.
- (b) If a competitor contacts our employee with a view to discussing any of the above or anything else which may be construed as anti-competitive, the employee must refuse to divulge any information and complete a Contact Report Form and send it to our compliance officer.
- (v) In respect of the compliance with the Second Conduct Rule, our management are required not to conduct our business in any way that will constitute an abuse our market power, if any, by engaging in conduct that has as its object or effect the prevention, restriction or distortion of competition in Hong Kong.



***Compliance with the Competition Ordinance***

Our Directors confirmed that: (i) to the best of their knowledge and after due and careful enquiry, our Group and our employees have not engaged in any activity that would constitute an incident of non-compliance with the Competition Ordinance; (ii) there had been no formal or informal enquiry, investigation, notification or charge by any authority against us or our employees during the Track Record Period and up to the Latest Practicable Date in respect of any non-compliance with the Competition Ordinance; (iii) we had not received any allegation or complaint from our employees, competitors, suppliers or customers that we or our employees had engaged in activity that would constitute an incident of non-compliance with the Competition Ordinance.

In respect of the compliance with the Second Conduct Rule, the following factors are taken into consideration based on the Guideline on the Second Conduct Rule (“**Second Guideline**”) published by the Competition Commission.

Lack of substantial degree of market power

- (i) Market share and market concentration. We do not consider that we possess substantial market power, which means the ability profitably to charge prices above competitive levels, or to restrict output or quality below competitive levels, for a sustained period of time according to the Second Guideline. Despite our ranking as the third largest company in the construction equipment rental industry in Hong Kong, our market share was only 3.4% in 2014, as the construction equipment rental and trading industries in Hong Kong and Macau are highly fragmented and competitive, and the top five leading players in the construction equipment rental market in Hong Kong, including our Group, accounted for only 20.6% of the total market revenue in 2014, according to the F&S Report. Please see the sections “Industry Overview — Competitive landscape of construction equipment rental market in Hong Kong” and “Industry Overview — Competitive landscape of construction equipment rental market in Macau” for further information.
- (ii) Countervailing buyer power. According to the Second Guideline, the strength of buyers and the structure of the buyers’ side of the market may prevent a supplier from having a substantial degree of market power; buyer power is not so much a matter of the size of the buyer but more a matter of bargaining strength and whether buyers have a choice between alternative suppliers. In the construction equipment rental market, the customers are generally large-scale construction or E&M engineering companies, which have significant bargaining strength and have a choice between alternative suppliers for rental of equipment, and they may also choose to purchase the relevant equipment. Further, for many large-scale construction projects, the customers can and do intensify competition among suppliers by adopting competitive tender arrangements.



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No abuse of substantial market power

- (iii) No anti-competitive conduct. Our Directors confirmed that we have not engaged and is not engaging in predatory pricing, anti-competitive tying and bundling, margin squeeze or refusal to deal, which are examples of conduct that may constitute an abuse of substantial market power that has as its object or effect the prevention, restriction or distortion of competition according to the Second Guideline.
- (iv) Exclusive dealing not abusive. We have entered into the Kanamoto Cooperation Agreement and are able to rent equipment from Kanamoto with exclusivity. According to the Second Guideline, however, where an undertaking uses exclusive dealing to foreclose competitors by preventing them from accessing particular inputs, this may amount to an abuse if the exclusive supply locks up most of the efficient input suppliers in the market and competitors are unable to secure the inputs concerned from alternative suppliers. As Kanamoto is only one of the many suppliers of construction equipment and our competitors are able to secure similar equipment from a number of alternative suppliers, our exclusive arrangement with Kanamoto is not an abuse of substantial market power.

Our legal advisers as to Hong Kong law has advised that, based on the confirmation of the Directors and the factors set out above and a review of our business conduct as disclosed in this prospectus, no contravention of the Competition Ordinance by our Group individually or collectively with Kanamoto or other equipment suppliers has been identified.

### **Material Dispute and Litigation**

During the Track Record Period and as at the Latest Practicable Date, there were no litigation or arbitration proceedings of material importance pending or threatened against us or any of our Directors.

### **INTERNAL CONTROL AND RISK MANAGEMENT**

Our Directors are responsible for the formulation of and for overseeing the implementation of the internal control measures and the effectiveness of risk management system, which is designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance.

In accordance with the applicable laws and regulations, we have established procedures for developing and maintaining internal control systems. Such systems cover corporate governance, operations, management, legal matters, finance and auditing, as appropriate for our needs. We believe that our internal control systems and current procedures are sufficient in terms of comprehensiveness, practicability and effectiveness.

In order to ensure that our internal control procedures are sufficient for management of external and internal risks, we have engaged an internal control consultant in August 2015 to conduct a review of our internal control systems from 9 September 2015 to 2 October 2015 and from 24 November 2015 to 14 December 2015 and have implemented the relevant suggestions proposed by our internal control consultant, including the adoption of formal written

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documentation in relation to risk assessment and management mechanism, procedures for evaluating the departure of management and supervisory personnel, leasing management policies and procedures and policies and procedures for certain sales and maintenance service management processes. According to the internal control report issued in December 2015, no material deficiencies were identified by the internal control consultant. As our business continues to expand, we will refine and enhance our internal control systems to respond to the evolving requirements of our expanded operations as appropriate. We will continue to review our internal control systems to ensure compliance with Hong Kong and Macau regulatory requirements.

### **Corporate Governance**

We continuously strive to strengthen the role of our Board as a body responsible for decision-making concerning our fundamental policies and upper-level management issues, and supervising the execution of our operation. Our Board includes three independent non-executive Directors to ensure transparency in management and fairness in business decisions and operations. The independent non-executive Directors contribute to the enhancement of corporate value by providing advice and oversight based on their extensive administrative experience and specialised knowledge.

We have established a risk management committee under the management of our Company, comprising Mr. Lau, Ms. Chan and Mr. Wong Cheuk Man. The primary duties of our risk management committee are to deliberate risk management related policies and procedures, review the effectiveness of risk management activities and handle issues of emergency. For details of the members of risk management committee, please refer to the section “Directors and Senior Management”.

We have strengthened our auditing system to ensure the appropriate functioning of the risk management and operation oversight systems. We have established the Audit Committee which comprises three independent non-executive Directors to review and monitor the effectiveness of our financial controls, internal control and risk management systems.

### **Credit Control**

Our customers consist mostly of corporate customers who are offered credit terms of up to 45 days. Our accounts department reviews the credit terms for each existing and prospective corporate customer. The settlement and credit terms granted to corporate customers are determined with reference to, among other things, (i) the length of the business relationship with us; (ii) the payment history of the customer; and (iii) the financial strength and creditability of the customer. In respect of new customers, we will normally assess their credit worthiness by conducting company searches.

**Credit risk management**

In order to mitigate the credit risks that we are exposed to in relation to the collectability of trade receivables, we have adopted credit risk management policies to review and monitor our trade receivables from time to time, including reviewing the payment history and records of our customers and conducting company search, litigation search and credit search against new customers. To deal with material overdue payments, we have adopted procedures which include (i) close monitoring of material overdue payments; (ii) evaluation of the risk level based on our relationship with relevant customer, its payment history, financial position, and the general economic environment; and (iii) designing of appropriate follow-up actions (for example, making phone calls, issuing demand letters, visiting customer's office and initiating legal proceedings or actions).

## DIRECTORS AND SENIOR MANAGEMENT

### OVERVIEW

The table below contains certain information about our Directors and senior management.

Name	Age	Position	Date of joining our Group	Date of appointment to the current position	Responsibilities in our Group
Mr. Lau Pong Sing (劉邦成)	59	Executive Director; Chairman; Chief executive officer	22 December 2004	11 June 2015	Our overall management and business development; setting business strategies, direction and goals
Ms. Chan Kit Mui, Lina (陳潔梅)	58	Executive Director; Chief operating officer	22 December 2004	11 June 2015	Overseeing our administration, financial control and human resources
Mr. Kitagawa Ken (北川健)	59	Non-executive Director	10 December 2015	10 December 2015	Supervising the management of our Company
Ir. Dr. Ho Chung Tai Raymond (何鍾泰)	77	Independent Non-executive Director	17 March 2016	17 March 2016	Supervising the management of our Company
Mr. Siu Chak Yu (蕭澤宇)	55	Independent Non-executive Director	17 March 2016	17 March 2016	Supervising the management of our Company
Mr. Li Ping Chi (李炳志)	56	Independent Non-executive Director	17 March 2016	17 March 2016	Supervising the management of our Company
Mr. Lau Tsz Fung (劉子鋒)	29	Vice president — sales and marketing	1 April 2009	1 April 2014	Overseeing our sales and marketing affairs
Mr. Wong Cheuk Man (王卓敏)	50	Financial controller	1 January 2010	1 January 2010	Overseeing our financial management and company secretarial matters
Mr. Lee Lut Kei (李律己)	37	Sales and marketing manager	13 March 2014	13 March 2014	Sales and marketing affairs
Ms. Tam Chung Oi, Venus (譚仲愛)	48	Purchasing manager	1 January 2015	1 January 2015	Inventory control; purchasing and shipping affairs
Mr. Yeung Oi Fan (楊凱帆)	66	Technical manager	26 March 2012	1 April 2015	Overseeing machinery service, maintenance and parts; training and management of service team

## DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of joining our Group	Date of appointment to the current position	Responsibilities in our Group
Mr. Lee Chi Hang (李志恒)	38	Accountant	1 January 2015	1 January 2015	Accounting and financial reporting

*Notes:*

- (1) Mr. Lau Tsz Fung is the son of Mr. Lau and Ms. Chan.
- (2) Mr. Kitagawa is an employee of Kanamoto HK and is appointed as a non-executive Director of the Company pursuant to the Pre-IPO Investment Agreement.

The business address of our Directors and senior management is Unit 15, 19/F, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong.

### DIRECTORS

Our Board currently consists of six Directors, comprising two executive Directors, one non-executive Director and three independent non-executive Directors. The following table sets forth information regarding our Directors. The functions and duties of the Board include convening shareholders' meetings, reporting on the Board's work at these meetings, implementing the resolutions passed at these meetings, determining business and investment plans, formulating our annual budget and final accounts, and formulating our proposals for profit distributions and for the increase or reduction of registered capital. In addition, the Board is responsible for exercising other powers, functions and duties in accordance with the Articles of Association.

#### Executive Directors

**Mr. LAU Pong Sing** 劉邦成

***Executive Director, chairman and chief executive officer***

Mr. Lau, aged 59, was appointed as our executive Director and Chairman of the Board on 11 June 2015 and concurrently serves as our chief executive officer. Mr. Lau is primarily responsible for our Group's overall management and business development, as well setting our business strategies, direction and goals. Mr. Lau is also a member of our Remuneration Committee and Nomination Committee. Mr. Lau is the chairman of our Nomination Committee.

Prior to joining our Group in 2004 as one of the founders, Mr. Lau had accumulated over 20 years of experience in the construction equipment industry through his directorship in and management of Ajax Pong Construction Equipment Limited from September 1983 to March 1992 and Ajax Pong (Holdings) Limited from April 1992 to December 2014. Mr. Lau had in the past managed or oversight various aspects of our Group, including business development and strategies, financial management and management of training to be given to our employees. Under the leadership of Mr. Lau and Ms. Chan, our Group has entered into strategic partnership agreements with reputable construction equipment suppliers, and participated in a number of landmark construction projects.

## DIRECTORS AND SENIOR MANAGEMENT

Mr. Lau is the spouse of Ms. Chan and father of Mr. TF Lau.

**Ms. CHAN Kit Mui, Lina** 陳潔梅

***Executive Director and chief operating officer***

Ms. Chan, aged 58, has been our executive Director since 11 June 2015 and also serves as our chief operating officer. She is in charge of our Group's administration, financial control and human resources.

Prior to joining our Group in 2004 as one of the founders, Ms. Chan has acquired over 20 years of experience in the construction equipment industry. She was principally responsible for corporate reorganisation, business management control, as well as setting up corporate administration systems and finance systems, during her positions as deputy managing director of Ajax Pong Construction Equipment Limited from April 1989 to March 1992, and deputy managing director of Ajax Pong (Holdings) Limited from April 1992 to December 2014.

Since joining our Group, she has worked closely with Mr. Lau to expand our Group's business in Hong Kong and Macau and assisted in the set up of our current operation system and staff welfare scheme.

Ms. Chan obtained a Secretarial Diploma from the Chinese Young Men's Christian Association of Hong Kong in May 1978 and an Intermediate Stage Certificate in Book-keeping from the London Chamber of Commerce and Industry in Spring 1978. She also completed the Computerized Accounting System for Commerce and Industry Training Course given by the Hong Kong Productivity Council in October 1986.

Ms. Chan is the spouse of Mr. Lau and mother of Mr. TF Lau.

### **Non-executive Director**

**Mr. Kitagawa Ken** 北川健

***Non-executive Director***

Mr. Kitagawa, aged 59, is a non-executive Director of our Company and is responsible for supervising the overall management of the Group.

Mr. Kitagawa concurrently serves as the director and chief operating officer of Kanamoto HK, the single largest supplier of our Group during the Track Record Period. Since joining Kanamoto HK in July 2009, Mr. Kitagawa has been responsible for overseeing its management and business operations. His duties and roles include formulating the company's business plans and strategies in Hong Kong, ensuring proper distribution of the company's resources, as well as liaising with both overseas and local customers. He also monitors our Company's financial control and performance.

Prior to joining Kanamoto HK, he had gained over 28 years of experience in the banking and finance industry. He served various positions in the Hokkaido Takushoku Bank from April 1980 to March 1998, where he was responsible for a variety of duties including economic research, loan judgement and general affairs. He was a controller with THK America Inc. and

## DIRECTORS AND SENIOR MANAGEMENT

later a manager of corporate compliance in legal department with THK Co., Ltd from April 1998 to March 2007. He later joined CEL Group Holdings Inc. in May 2007 and held the position as managing director of Operation between September 2007 and March 2008 before becoming a regional manager of Aeon Bank for the Hokkaido area.

Mr. Kitagawa obtained his chartered member of The Securities Analysts Association of Japan in September 1996. He obtained a Bachelor's degree in Commerce from Waseda University in March 1980.

### **Independent Non-executive Directors**

#### **Ir. Dr. HO Chung Tai Raymond 何鍾泰** *Independent non-executive Director*

Ir. Dr. Ho Chung Tai Raymond, SBS, MBE, S.B. St. J., JP, aged 77, was appointed as our independent non-executive Director on 17 March 2016. He is a member of our Audit Committee.

Dr. Ho has over 50 years of experience in civil, structural, environmental and geotechnical engineering industries and has directly managed a number of mega-sized engineering projects.

Dr. Ho received his degree of doctor of philosophy in Civil Engineering from the City University of London in June 1971, an Honorary Doctor of Laws from the University of Manchester in September 2001 and an Honorary degree of Doctor of Business Administration from the City University of Hong Kong in November 1999. He graduated from the University of Hong Kong in November 1963 with a Bachelor of Science in Engineering and obtained his diploma for advanced studies in engineering, soil mechanics from the University of Manchester in July 1964.

As at the Latest Practicable Date, Dr. Ho served or is currently serving as director of the following listed public companies in Hong Kong:

<b>Period</b>	<b>Office</b>	<b>Listed public company on the Stock Exchange</b>
Since December 2013	Independent non-executive director	ChinLink International Holdings Limited (stock code: 997)
Since September 2007	Independent non-executive director	GCL-Poly Energy Holdings Limited (stock code: 3800)
Since June 2005	Independent non-executive director	China State Construction International Holdings Limited (stock code: 3311)
Since September 1993	Independent non-executive director	Deson Development International Holdings Limited (stock code: 262)

## DIRECTORS AND SENIOR MANAGEMENT

Other current and past notable appointments and offices of Dr. Ho are further set out below:

- |                                  |  |
|----------------------------------|--|
| Current appointments and offices | <ul style="list-style-type: none"><li>• Honorary Fellow and Inductee of Hall of Fame of The Hong Kong Institution of Engineers</li><li>• Chairman of the Guangdong Daya Bay Nuclear Plant and Ling Ao Nuclear Plant Safety Consultative Committee (since February 2005)</li><li>• Professional advisor to the Office of the Ombudsman of Hong Kong (for the periods 1 July 1995 to 31 March 2013 and 1 October 2015 to present)</li></ul>  |
| Past appointments and offices    | <ul style="list-style-type: none"><li>• Board member of the Airport Authority Hong Kong (2008–2014)</li><li>• Hong Kong Deputy to the 10th and 11th National People's Congress of the PRC (2007–2013)</li><li>• Chairman of the Hong Kong Trade Development Council Infrastructure Development Advisory Committee (2009–2013)</li><li>• Member of the HKSAR Commission on Strategic Development (2007–2012)</li><li>• Member of the 1st, 2nd, 3rd and 4th Legislative Council (Engineering Functional Constituency) (1998–2012)</li><li>• Council chairman of the City University of Hong Kong (1992–1994)</li><li>• Chairman of the Hong Kong Technology Committee of the Industry and Technology Development Council (1992–1994)</li></ul> |

**Mr. SIU Chak Yu 蕭澤宇**  
***Independent non-executive Director***

Mr. Siu, BBS, JP, aged 55, was appointed as our independent non-executive Director on 17 March 2016. He is a member of our Remuneration Committee, Audit Committee and Nomination Committee. Mr. Siu is the chairman of our Remuneration Committee.

Mr. Siu has gained experience in legal practice in Hong Kong. He obtained a Bachelor of Laws degree and a Postgraduate Certificate in Laws from the University of Hong Kong in November 1983 and July 1984, respectively. He was admitted as a solicitor in Hong Kong in



## DIRECTORS AND SENIOR MANAGEMENT

September 1986, England and Wales in June 1990, Australian Capital Territory in February 1991, and in Singapore in September 1992; and as a barrister in Australia in February 1991. Mr. Siu was appointed as a Notary Public in April 1997, a China-Appointed Attesting Officer in January 2000, and currently a partner of Hastings & Co.

Mr. Siu served as chairman of the Housing Appeal Panel from April 2007 to March 2013. He is currently the chairman of the Buildings Appeal Tribunal, deputy chairman of the Environmental Impact Assessment Appeal Board, deputy chairman of the HKSAR Passports Appeal Board and a board member of the Estates Agents Authority.

**Mr. LI Ping Chi 李炳志**

***Independent non-executive Director***

Mr. Li, aged 56, was appointed as our independent non-executive Director on 17 March 2016. He is a member of our Audit Committee, Remuneration Committee and Nomination Committee. Mr. Li is the chairman of our Audit Committee.

Mr. Li has over 30 years of experience in accounting and auditing. He was an assistant assessor for the Hong Kong Inland Revenue Department from August 1982 to February 1985. He joined Touche Ross Hong Kong in March 1985 and was promoted to the position of audit manager in August 1989. He later joined Deloitte China in April 1990 as a result of its merger with Touche Ross Hong Kong and had been a partner from June 1996 to May 2013.

Mr. Li received a higher diploma in accountancy with distinction from the Hong Kong Polytechnic University in November 1982. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants.

## SENIOR MANAGEMENT

Our senior management members are responsible for the day-to-day management of our Company's business. None of the members of our senior management has been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

**Mr. LAU Tsz Fung (劉子鋒)**, aged 29, is our vice president and oversees the sales and marketing department of our Company. He is principally responsible for encouraging sustainable development through the delivery of updated market analysis and information, and works closely with the sales team in attracting potential customers and contracts. His roles and duties include maintaining a high volume of rental transactions and good relationships with worldwide manufacturers and suppliers. Mr. TF Lau has completed training sessions on construction equipment given by Donaldson Company, Inc., Nippon Sharyo, Ltd., Furukawa UNIC Corporation and Denyo Co., Ltd..

Mr. TF Lau received his Bachelor's degree in Business Economics from the University of California Santa Barbara in September 2008. Prior to joining our Group as a sales and marketing officer in April 2009, he was a marketing officer assistant at Ajax Pong (Holdings) Limited from April 2008 to June 2008, where he was responsible for managing relationship with potential customers and overseas buyers.

## DIRECTORS AND SENIOR MANAGEMENT

Mr. TF Lau is the son of Mr. Lau and Ms. Chan.

**Mr. WONG Cheuk Man (王卓敏)**, aged 50, is the financial controller, company secretary and one of the authorised representatives of our Company. He is primarily responsible for our Group's accounting, internal control, financial reporting, resource management and information technology affairs.

Mr. Wong graduated from the University of Western Sydney Nepean with a Bachelor's degree in Business Administration in September 1999 and obtained a Master's degree in International Accounting from the City University of Hong Kong in November 2001. Mr. Wong has over 28 years of experience in accounting. He was an assistant accountant at Sanyo Electric (Hong Kong) Ltd. from July 1987 to April 1990, cost accountant and later assistant finance manager of STD Holding Ltd. from August 1990 to September 1994. He served as accounting manager and subsequently financial controller of Ajax Pong (Holdings) Limited from September 1994 prior to joining our Group in January 2010.

Mr. Wong is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

**Mr. LEE Lut Kei (李律己)**, aged 37, is the sales and marketing manager of our Company. His responsibilities include formulating marketing plans and leading the sales team in achieving sales targets of our Group.

Mr. Lee joined ATAL Engineering Ltd. in July 2001 as an engineer trainee and was promoted to the position of engineer in January 2005 before his departure in June 2006. Prior to joining our Group in March 2014, he was a technical sales representative and later a marketing manager for Hilti (HK) Ltd. from June 2006 to December 2013, where his duties include customer relationship management and developing marketing strategies. Mr. Lee has completed a number of engineering and construction equipment related training given by the Hong Kong Institution of Engineers, Denyo Co., Ltd., and Furukawa UNIC Corporation.

Mr. Lee obtained a Bachelor of Engineering in Electrical Energy Systems Engineering from the University of Hong Kong in November 2001 and a Master's degree in Electrical Engineering from the Hong Kong Polytechnic University in December 2006.

**Ms. TAM Chung Oi Venus (譚仲愛)**, aged 48, is the purchasing manager of our Company. She is primarily responsible for our Group's purchasing and shipping affairs, inventory control and works with the sales team in determining prices and discounts.

Prior to joining our Group in January 2015, Ms. Tam was an assistant purchasing manager and later a business manager at Ajax Pong (Holdings) Limited from June 1998 to December 2014.

Ms. Tam completed the Certificate Programme on Company Secretarial Practice — Public and Listed Companies in June 1997 and obtained a Professional Diploma in International Shipping Management in July 2000 from The Hong Kong Management Association. She has also completed a training course given by the Hong Kong Productivity Council on Profitable Purchasing Strategies from October to November 1998.

## DIRECTORS AND SENIOR MANAGEMENT

**Mr. YEUNG Oi Fan (楊凱帆)**, aged 66, is the technical manager of our Company and is principally responsible for overseeing machinery service, maintenance and parts, as well as training and management of our service team. He first joined our Group in March 2012 as a workshop manager.

Mr. Yeung has over 13 years of experience in mechanical engineering. He joined Ajax Pong (Holdings) Limited as an assistant plant manager from August 1991 to July 1997, and later a technical manager from August 1997 to March 2000 and a workshop manager from April 2000 to September 2001.

Mr. Yeung has completed the Safety & Health Supervisor Training Course (Construction Industry) given by The Hong Kong Safety Training Association in April 2015. He is also certified by a number of corporations such as Denyo Co., Ltd, Furukawa UNIC Corporation and Hyundai Heavy Industries Co., Ltd. to operate a variety of construction equipment.

**Mr. LEE Chi Hang (李志恒)**, aged 38, is an accountant of our Company and is responsible for monitoring the Group's receivables, payables, sales and aging.

Mr. Lee has around 17 years of experience in accounting. Prior to joining our Group in January 2015, he was an accounts clerk at Hui Lau Shan Food Manufacturing Company Limited and Chesterton Petty Limited from July 1998 to June 2000 and from June 2000 to March 2004, respectively. He was a finance and administrative officer and later promoted to assistant finance and administration manager at Kajun Candy Manufactory Limited from April 2004 to December 2007, and an accounting officer and later an accountant at Ajax Pong (Holdings) Limited from January 2008 to December 2014.

Through a distant learning course, Mr. Lee obtained a Bachelor of Science in Applied Accounting from Oxford Brookes University. He is a fellow member of the Hong Kong Institute of Accredited Accounting Technicians.

Each of our senior management did not hold any other directorship in listed public companies in the three years prior to the date of this prospectus.

### BOARD COMMITTEES

#### Audit committee

Our Company established an audit committee with written terms of reference in compliance with Rule 3.22 of the Listing Rules and paragraph C3 of the Code on Corporate Governance Practice as set out in Appendix 14 of the Listing Rules pursuant to a resolution of our Directors passed on 17 March 2016. The primary duties of our audit committee are to make recommendations to our Board on the appointment and removal of the external auditor, review the financial statements and material advice in respect of financial reporting and oversee the internal control procedures of our Company. At present, our audit committee comprises of Ir. Dr. Ho Chung Tai Raymond, Mr. Siu Chak Yu and Mr. Li Ping Chi. Mr. Li Ping Chi is the chairman of the audit committee.

## DIRECTORS AND SENIOR MANAGEMENT

### Remuneration committee

Our Company established a remuneration committee on 17 March 2016 with written terms of reference in compliance with Rule 3.26 of the Listing Rules and paragraph B1 of the Code on Corporate Governance Practice as set out in Appendix 14 of the Listing Rules. The functions of this committee include the formulation and the recommendation to the Board on our Company's policies and structures for the remuneration of all of our Directors and senior management of our Company, the establishment of a formal and transparent procedure for developing policy on remuneration, the determination of specific remuneration packages of all executive Directors and senior management in the manner specified in the terms of reference, the recommendation to the Board of the remuneration of non-executive Directors, review and approval of performance-based remuneration, and review and recommendation to our Shareholders as to the fairness and reasonableness of the terms of any Director's service agreement which is subject to the prior approval of our Shareholders in any general meeting pursuant to the Listing Rules. The remuneration committee comprises of Mr. Siu Chak Yu, Mr. Li Ping Chi and Mr. Lau. Mr. Siu Chak Yu is the chairman of the remuneration committee.

### Nomination committee

Our Company established a nomination committee on 17 March 2016 with written terms of reference in compliance with paragraph A5 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The primary functions of the nomination committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board. The nomination committee comprises of Mr. Siu Chak Yu, Mr. Li Ping Chi and Mr. Lau. Mr. Lau is the chairman of the nomination committee.

### Corporate Governance

We are committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders as a whole. 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.

### Compliance adviser

Our Company has appointed BOSC International Company Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Company in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be of a notifiable or connected transaction, is contemplated including but not limited to share issues and share repurchase;
- (iii) where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, developments or results of operation of our Group deviate from any forecast, estimate, or other information in this prospectus; and

## DIRECTORS AND SENIOR MANAGEMENT

- (iv) where the Stock Exchange makes an enquiry of our Company regarding unusual movements in the price or trading volume of the Shares.

The term of appointment our compliance adviser shall commence on the Listing Date and end on the date of despatch of our annual report in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment shall be subject to extension by mutual agreement.

### COMPENSATION OF DIRECTORS AND MANAGEMENT

Our Directors and senior management receive compensation in the form of salaries, allowances, bonuses and other benefits-in-kind, including our contribution to the pension scheme. Our Remuneration Committee determines the salaries of our Directors based on each Director's qualification, position and seniority.

The aggregate amount of remuneration (including salaries, allowances and benefits in kind) paid to our Directors for the years ended March 31, 2013, 2014, 2015 and the six months ended 30 September 2015 were approximately nil, nil, HK\$1.0 million and HK\$1.2 million, respectively.

From the commencement of the Track Record Period and up till 31 December 2014, no remuneration was paid to Mr. Lau and Ms. Chan as our Directors. However, a management fee for the emoluments of Mr. Lau and Ms. Chan of HK\$1.7 million, HK\$2.0 million and HK\$1.6 million were paid to a company wholly-owned by Mr. Lau and Ms. Chan for each of the three years ended 31 March 2015. Such management arrangement was terminated with effect from 1 January 2015.

Of the five individuals with the highest emoluments in our Group during the Track Record Period, two of them were our Directors, Mr. Lau and Ms. Chan, whose emoluments are paid by us or included in management fee charged to our Group as described above. The aggregate amount of remuneration (including salaries, allowances and benefits in kind (where applicable)) paid to our remaining three individuals for the years ended 31 March 2013, 2014, 2015 and the six months ended 30 September 2015 were HK\$1.7 million, HK\$2.1 million, HK\$2.3 million and HK\$1.0 million, respectively.

It is estimated that an aggregate amount of remuneration and benefits in kind equivalent to approximately HK\$3.4 million will be paid and granted to our Directors by us for the year ending 31 March 2016 under arrangements in force on the date of this prospectus.

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors or past Directors during the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

Our policy concerning the remuneration of our Directors and senior management is that the amount of remuneration is determined on the basis of the relevant Director's and senior management's experience, responsibility, performance and the time devoted to our business.

## **DIRECTORS AND SENIOR MANAGEMENT**

Except as disclosed in this prospectus, no Director has been paid in cash or shares or otherwise by any person either to induce him to become, or to qualify him as a Director, or otherwise for service rendered by him in connection with the promotion or formation of us.

### **DIRECTOR'S INTEREST**

Except as disclosed in this prospectus, 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 Director, senior management, or the 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. As at the Latest Practicable Date, except as disclosed in this prospectus, each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO. Save as disclosed above, to the best of the knowledge, information and belief of our Directors after having made all reasonable enquiries, there was no other matter with respect to our Directors that needs 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 Rule 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

### **CORPORATE GOVERNANCE CODE**

Our Company complies or intends to comply with the Corporate Governance Code in Appendix 14 of the Listing Rules with the exception of A.2.1, which require the roles of the chairman and chief executive to be in different individuals.

Under code provision A.2.1 of the Corporate Governance Code, the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Mr. Lau currently holds both positions. Throughout our business history of over 10 years, Mr. Lau has been the key leadership figure of our Group, who has been primarily involved in the formulation of business strategies and determination of the overall direction of our Group. He has also been principally responsible for our Group's operations as he directly supervises our senior management. Taking into account the continuation of the implementation of our business plans, our Directors (including our independent non-executive Directors) consider Mr. Lau to be the best candidate for both positions and that the present arrangement is beneficial to and in the interests of our Group and our Shareholders as a whole.

Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the "comply and explain" principle in our corporate governance report, which will be included in our annual reports upon Listing.

## DIRECTORS AND SENIOR MANAGEMENT

### DISCLOSURE MADE PURSUANT TO RULE 13.51(2) OF THE LISTING RULES

#### **Ajax Pong Machinery (Shenzhen) Limited** 亞積邦機械(深圳)有限公司

Ms. Chan is the director of Ajax Pong Machinery (Shenzhen) Limited (亞積邦機械(深圳)有限公司) (“**Ajax Pong (Shenzhen)**”), a company incorporated in the PRC on 9 December 2009. Ajax Pong (Shenzhen) commenced its winding-up process in 2015 and completed the entire process on 2 March 2016.

Ajax Pong (Shenzhen) was allowed to carry out the business of wholesale, importing, exporting and repairing of construction machinery in the PRC. Its fellow subsidiary, Ajax Pong (Shanghai) Limited (亞積邦建設工程機械(上海)有限公司), which was acquired in December 2014, is allowed to lease construction equipment in addition to the business activities of Ajax Pong (Shenzhen). As Ajax Pong (Shenzhen) had a narrower business scope, it was wound up to reduce administrative and maintenance costs.

Our Directors are of the view that the above said matter would not affect Ms. Chan's competence and suitability to act as a Director of the Company.



## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

### OVERVIEW

Upon the Listing, each of Mr. Lau and Ms. Chan and their respective wholly-owned company will be a Controlling Shareholder under the Listing Rules. The table below sets forth the information regarding the ownership of our Shares by our Controlling Shareholders immediately following the completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued upon exercise of the options under the Share Option Scheme).

Name	Number of Shares	Approximate percentage of voting rights
Mr. Lau	363,528,000	42.075%
New Club House	363,528,000	42.075%
Ms. Chan	284,471,352	32.925%
Great Club House	284,471,352	32.925%

### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDER

Our Directors are satisfied that our Group can function, operate and carry on our business, and is financially and operationally independent from our Controlling Shareholders and his/her respective close associates based on the following reasons:

#### **Clear delineation of business**

##### *Our business*

We are principally engaged in the rental of equipment and provision of value-added rental services to customers. Our equipment may be rented to customers on (i) non-operated basis (without the provision of operators), (ii) operated basis (where we provide our operators to operate the equipment) or (iii) with service basis (with inclusion of equipment planning, transportation, installation, operation, standby refuelling and maintenance, disassembling and other technical support services).<sup>(1)</sup> The equipment we rent to customers comprises equipment that we own and maintain in our rental fleet and equipment which we can rent with exclusivity from our suppliers, including our Shareholder and strategic partner, Kanamoto, which is one of the leading construction equipment rental groups in Japan, for details of which please see the sub-section “Our Relationship with Kanamoto” below.

As part of our rental services, we supply equipment spare parts, and provide other equipment related services such as technical support and transportation service for equipment. As part of our fleet management and full service capability, we sell our used rental equipment to customers from time to time, receive proceeds from such disposal.

<sup>(1)</sup> Each of our equipment rental contracts may include operating service and/or other services, and may not be clearly and easily classified into one of the above categories.



## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

With our established equipment sales channels, we trade new and used equipment to match the requirements of customers and this also broadens our customer base and streams of revenue.

### *Excluded PRC Business*

Mr. Lau and Ms. Chan, have interests in, or control of, construction equipment rental services business in the PRC (the “**Excluded PRC Business**”). Such Excluded PRC Business is based in Shanghai and has been operating under the brand “Ajax Pong” and “亞積邦”.

As at the Latest Practicable Date, the Excluded PRC Business operated through various non-Group companies which are directly or indirectly wholly-owned by Mr. Lau and Ms. Chan.

Such Excluded PRC Business was not transferred to our Group during our Reorganisation and, though related to the construction equipment rental industry, are separate, distinct and clearly delineated from our current construction equipment rental business in Hong Kong and Macau on the basis as set out below. Mr. Lau and Ms. Chan currently have no intention to transfer the Excluded PRC Business to our Group.

As at the Latest Practicable Date, we did not operate any construction equipment rental business in the PRC and save as the Residual Contracts disclosed below, our Controlling Shareholder(s) did not own or operate any construction equipment rental business in Hong Kong and Macau other than the business of our Group. As such, the Excluded PRC Business is clearly delineated from the business of our Group because of its different geographical location and segregated management. Our Directors are of the view that the Excluded PRC Business are clearly delineated from our business for the following reasons:

- *Separate geographical locations and target clientele:* the Excluded PRC Business is based in Shanghai, PRC, targeting customers who are principally construction contractors with construction works in the PRC. In contrast, operations of our Group are entirely based in Hong Kong and Macau and our target customers are all construction contractors with construction works in Hong Kong and Macau.
- *Segregated management:* a separate PRC management team has been employed to manage the daily operations of Excluded PRC Business in the PRC. The Excluded PRC Business is mainly supervised by Mr. Lau, Ms. Chan, Mr. Lau Pong Man (brother of Mr. Lau), Mr. Lau Pong Ming (brother of Mr. Lau), Mr. Lau Ka Chung (father of Mr. Lau) and Ms. Lau Lai Chun, Jenny (sister of Mr. Lau). Mr. Lau and Ms. Chan are the only overlapping board members between our Group and the Excluded PRC Business. As at the Latest Practicable Date, Mr. Lau and Ms. Chan were involved in providing strategic and development advice to the operation of the Excluded PRC Business from time to time. This segregated PRC management team will not manage our operations in Hong

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Kong and Macau and apart from Mr. Lau and Ms. Chan, we currently do not expect any management overlap between our Group and such Excluded PRC Business.

The Excluded PRC Business included 2 major operating subsidiaries during the Track Record Period, namely, Ajax Pong Machinery (Shenzhen) Limited (“**Ajax Pong (Shenzhen)**”) and Ajax Pong (Shanghai) Limited (“**Ajax Pong (Shanghai)**”). According to the audited accounts for the financial year ended 31 December 2013, 31 December 2014 and the unaudited management accounts for the financial year ended 31 December 2015 for Ajax Pong (Shenzhen) and Ajax Pong (Shanghai), the combined revenue and combined loss of the Excluded PRC Business were approximately RMB72,000, RMB14,000 and RMB17,000, and RMB374,000, RMB235,000 and RMB391,000, respectively, for the financial year ended 31 December 2013, 31 December 2014 and 31 December 2015.

Our Directors have confirmed that our Group has no current intention to tap into the construction equipment rental market in the PRC.

Based on the clear differences in the geographical region and focus of business between our Group and the Excluded PRC Business, our Directors consider that the Excluded PRC Business do not compete, and are not likely to compete, either directly or indirectly, with our Group.

As at the Latest Practicable Date, there were two contracts in relation to the construction equipment rental services provided in Hong Kong, with an aggregate contract sum of approximately HK\$3,653,000, held by Ajax Pong Construction Equipment Limited, a non-Group company operating the Excluded PRC Business. These contracts will end on 31 December 2016 and all of these contracts were entered into with entities which provided public services (the “**Residual Contracts**”). As we encountered difficulties in obtaining consents from these entities for the novation of the Residual Contracts to our Group, our non-Group company will retain and perform these contracts until their respective expiry. Upon such expiration, none of our non-Group companies will enter into any contracts with these entities nor engaged in any business of which may or is likely to compete with our Group in Hong Kong or Macau.

Ajax Pong Construction Equipment Limited was not transferred to our Group during the Reorganisation because it operates the Excluded PRC Business and any changes to the controlling interest to any of them may trigger administrative inconvenience or commercial difficulties in the existing contracts.

Our Controlling Shareholders have also, pursuant to the Deed of Non-competition, undertaken to our Company not to open, enter into, engage or otherwise invest in any new construction machinery rental, distribution and trading business in Hong Kong and Macau (save and except for the Residual Contracts (as defined above) for a term up to their respective expiration dates).

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

### Independence from our Controlling Shareholders

Our Directors are satisfied that our Group can function, operate and carry on our business independently from our Controlling Shareholders based on the following reasons:

#### *Independence of management and directorship*

Our Company has a Board and members of senior management that function independently from our Controlling Shareholders and their respective associates. Our Board is comprised of two executive Directors, one non-executive Director and three independent non-executive Directors. Our senior management consists of six members. On the basis of the following reasons, our Directors believe that our Directors and members of our senior management are able to manage our business independently from our Controlling Shareholders:

- (i) with three independent non-executive Directors out of a total of six Directors in our Board, which exceeds the requirements under the Listing Rules, there will be a sufficiently robust and independent voice within our Board to counter-balance any situation involving a conflict of interest and protect the interests of our independent Shareholders;
- (ii) all members of our senior management are full-time employees of our Group and some have, for the entire or substantially the entire Track Record Period, undertaken senior management supervisory responsibilities in our business. The responsibilities of our senior management team include managing operational and financial matters, making general capital expenditure decisions and the daily implementation of the business strategies of our Group. This ensures the independence of the daily management and operations of our Group from those of our Controlling Shareholders;
- (iii) instances of actual or potential conflict have been identified (see the section headed “Continuing Connected Transactions” in this prospectus) and minimised (by virtue of the Deed of Non-Competition);
- (iv) each of our Directors is aware of his/her fiduciary duties as a Director of our Company, which require, among other things, that he/she acts for the benefit and in the best interests of our Shareholders as a whole and does not allow any conflict between his/her duties as a Director and his/her personal interests to affect the performance of his duties as a Director;
- (v) despite Mr. Lau and Ms. Chan having supervisory and management duties in the Excluded PRC Business from time to time, they will devote full-time capacity to take care of the interest of our Company. All our executive Directors and members of our senior management will devote full-time capacity to our Group;

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (vi) connected transaction(s) between our Company and companies controlled by our Controlling Shareholders are subject to the rules and regulations under the Listing Rules including rules relating to announcement, reporting and independent Shareholders' approval (where applicable);
- (vii) except for the Residual Contracts, the latest of which will expire on 31 December 2016, all of the businesses that are directly related to or incidental to the operation of construction equipment rental business in Macau and Hong Kong held by our Controlling Shareholders have been consolidated into our Group as part of our Reorganisation. Therefore, there is no competition that would adversely affect the management independence of our Group; and
- (viii) a number of corporate governance measures are in place to avoid any potential conflict of interest between our Company and our Controlling Shareholder, and to safeguard the interests of our independent Shareholders. See the paragraphs headed "Corporate governance measures" in this section below.

### *Operational independence*

Our Company makes business decisions independently. On the basis of the following reasons, our Directors consider that our Company will continue to be operationally independent from our Controlling Shareholders and other companies controlled by our Controlling Shareholders:

- (i) our Company is not reliant on trademarks owned by our Controlling Shareholders, or other companies controlled by our Controlling Shareholders;
- (ii) our Group is the holder of all relevant licenses material to the operation of our business and has sufficient capital, equipment and employees to operate our business independently;
- (iii) our Company has its own administrative, internal control procedures and corporate governance infrastructure (including its own accounting, legal and human resources departments);
- (iv) all of the properties used as our principal place of business, offices premises, yards, warehouses and workshops are leased from Independent Third Parties by our Company or our subsidiaries;
- (v) save as disclosed in the section headed "Continuing Connected Transactions" and transactions that will only constitute a de minimus connected transaction exempt from reporting, announcement and independent shareholders approval requirements under Rule 14A.33 of the

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Listing Rules (“**De Minimus Transactions**”), all external services required by our Company or our subsidiaries are provided by Independent Third Parties; and

- (vi) our Company does not rely on our Controlling Shareholders for access to suppliers and customers. In particular, we independently manage our sourcing for equipment. We also have independent access to our customers.

Based on the above-mentioned arrangements, our Directors are of the view that our Company will be able to operate independently from our Controlling Shareholders.

### *Continuing connected transaction(s) between our Group and entities controlled by our Controlling Shareholders*

During the Track Record Period, certain entities controlled by our Controlling Shareholders entered into related party transactions with our Group in the ordinary course of our business and on normal commercial terms. Such related party transactions are disclosed in Note 33 to the Accountants’ Report set out as Appendix I to this prospectus. Such transactions, if continued upon the Listing, will constitute continuing connected transactions of our Company under the Listing Rules.

Details of these continuing connected transactions are set out in section headed “Continuing Connected Transactions” in this prospectus.

Our Directors confirm that, save and except for the De Minimus Transactions, the continuing connected transactions set out in the section headed “Continuing Connected Transactions” in this prospectus and the Residual Contracts as set out above, all related party transactions with our Controlling Shareholders will be discontinued upon the Listing. Our Directors (including our independent non-executive Directors) consider that such continuing connected transactions have been entered into in the ordinary and usual course of our business and are based on arm’s length negotiation and on normal commercial terms that are in the interests of our Group and our Shareholders as a whole.

These transactions between our Group and entities controlled by our Controlling Shareholders are not material in value as far as our Group is concerned.

### *Financial independence*

Our Directors are of the view that our Group will be financially independent of our Controlling Shareholders and any of their respective close associates upon Listing. All loans, advances balances and non-trade amount due to and from our Controlling Shareholders and their respective close associates and related parties (e.g. shareholder loan) will be fully settled using our internal resources and funds available under our working capital loan, and that all share pledges and guarantees provided by our Controlling Shareholders and their respective close associates on our Group’s borrowing (including the guarantee provided by Ms. Chan as stated in the section

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

“Financial Information — Discussion of Certain Key Balance Sheet Items — Indebtedness” in this prospectus) will be fully released upon Listing. In addition, we have our own internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payment and independent access to third-party financing. Our Directors are satisfied that we are capable of conducting our business independently from any of our Controlling Shareholders (including their respective close associates) after our Company is listed on the Stock Exchange.

### DEED OF NON-COMPETITION

For the purpose of the Listing, our Controlling Shareholders have entered into the Deed of Non-Competition, pursuant to which our Controlling Shareholders have irrevocably undertaken to our Company that he/she/it would not, and would procure that his/her/its close associates (except any members of our Group) would not, during the restricted period set out below, directly or indirectly, either on his/her/its own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee or otherwise, and whether for profit, reward or otherwise) any business which is or may be in competition with the business currently carried on or contemplated to be carried on by any member of our Group (the “**Restricted Business**”) (save and except for the Residual Contracts of which shall be terminated upon their respective expiry dates).

Each of our Controlling Shareholders has also undertaken to our Company the following:

- (a) to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-Competition; and
- (b) to make an annual declaration on compliance with his/her/its undertaking under the Deed of Non-Competition in the annual reports of our Company as the independent non-executive Directors think fit and/or as required by the relevant requirements under the Listing Rules.

The Deed of Non-Competition does not apply to:

- (a) any interests in the shares of any member of our Group since the business of such member is not in competition with our Group. Moreover, our Controlling Shareholders currently does not have any intention to hold shares directly in any member of our Group;
- (b) the Excluded PRC Business;
- (c) the Residual Contracts; and

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (d) interests in the shares of a company other than our Group which shares are listed on a recognised stock exchange provided that:
  - (i) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts; or
  - (ii) the total number of the shares held by our Controlling Shareholder and/or his/her/its close associates in aggregate does not exceed 5% of the issued shares of that class of the company in question and such Controlling Shareholder and his/her/its close associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another shareholder of that company (together, where appropriate, with its close associates) whose shareholdings in that company should be more than the total number of shares held by our Controlling Shareholders and his/her/its close associates in aggregate.

The “restricted period” stated in the Deed of Non-competition refers to the period during which (i) the Shares of our Company remain listed on the Stock Exchange; (ii) our Controlling Shareholder and his/her/its close associate holds an equity interest in our Company; and (iii) our Controlling Shareholder and/or his/her/its close associates jointly or severally are entitled to exercise or control the exercise of not less than 30% in aggregate of the voting power at general meetings of our Company. In other words, if our Company were no longer listed on the Stock Exchange or our Controlling Shareholders came to hold less than 30% of the Shares then issued, the Deed of Non-competition would not apply. We believe the 30% threshold is justifiable as it is equivalent to the thresholds applied under the Listing Rules and the Takeovers Code for the concept of “control”.

Our Controlling Shareholders have further undertaken to procure that, during the restricted period, any business investment or other commercial opportunity which competes or is likely to compete either directly or indirectly with the construction equipment rental services business of our Group in Hong Kong or Macau (the “**New Opportunity**”) identified by or offered to him/her/it or any entity controlled by him/her/it, is first referred to us in the following manner:

- (a) the relevant Controlling Shareholder is required to refer, or to procure the referral of, the New Opportunity to us, and shall give written notice (the “**Offer Notice**”) to us of any New Opportunity containing all information reasonably necessary for us to consider whether (i) such New Opportunity would constitute competition with our core business, and (ii) it is in the interest of our Company and our Shareholders as a whole to pursue such New Opportunity, including but not limited to the nature of the New Opportunity and the details of the investment or acquisition costs; and
- (b) upon receiving the Offer Notice, our Company shall seek approval from a board committee (comprising, among others, all the Independent Non-executive Directors who do not have an interest in the New Opportunity) (the “**Independent Board**”) as to whether to pursue or decline the New Opportunity. Any Director who has actual or potential interest in the New Opportunity shall not be a member of the Independent



## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Board and shall abstain from attending (unless their attendance is specifically requested by the Independent Board) and voting at, or count towards the quorum for, any meeting or part of a meeting convened to consider such New Opportunity:

- (i) the Independent Board shall consider the financial impact of pursuing the New Opportunity offered, whether the nature of the New Opportunity is consistent with our strategies and development plans and the general market conditions; if appropriate, the Independent Board may appoint independent financial, legal advisers or other professional experts to assist in the decision-making process in relation to such New Opportunity;
- (ii) the Independent Board shall, within 20 business days of receipt of the written notice referred to in (a) above, inform the relevant Controlling Shareholder in writing on behalf of our Company its decision whether to pursue or decline the New Opportunity. Such notice period can be extended if mutually agreed in writing;
- (iii) the relevant Controlling Shareholder shall be entitled but not obliged to pursue such New Opportunity if he/she or it has received a notice from the Independent Board declining such New Opportunity or if the Independent Board failed to respond within such 20 business days period (or the extended period, where applicable) pursuant to (b)(ii) above; and
- (iv) if there is any material change in the nature, terms or conditions of such New Opportunity pursued by the relevant Controlling Shareholder, he/she or it shall refer such New Opportunity as so revised to our Company in the manner as outlined in the Deed of Non-competition as if it were a New Opportunity.

## CORPORATE GOVERNANCE MEASURES

Upon the Listing, our Company will continue to enter into connected transactions with certain companies controlled by our Controlling Shareholders. Our Controlling Shareholders have also undertaken to our Company under the Deed of Non-Competition that he/she/it shall not, and shall procure that his/her/its subsidiaries (other than our Company) shall not, own, invest in, participate in, develop, operate or engage in any business or company which directly or indirectly competes, or may compete, with our business. Our Company will further adopt the following measures to manage the conflict of interests arising from the possible competing business of our Controlling Shareholders and to safeguard the interests of our independent Shareholders:

- (i) in preparation for the Listing, our Company has amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provide that, except for certain exceptions permitted under the Listing Rules or the Stock Exchange, a Director shall not vote on any board resolution approving any contract in relation to which he has a material interest, nor shall such Director be counted in the quorum present at the meeting. Furthermore, a Director who holds directorship and/or senior management positions in our Controlling Shareholders or any of his/her/its associates (other than our Company or any member of our Group) shall not vote on



## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

any board resolution regarding any transactions proposed to be entered into between any member of our Group and our Controlling Shareholders or any of its associates (other than our Company or any member of our Group), nor shall such Director be counted in the quorum present at such meeting;

- (ii) we have appointed BOSC International Company Limited as our compliance adviser, which will provide advice and guidance to us with respect to compliance with the applicable laws and the Listing Rules, including but not limited to various requirements relating to Directors' duties and internal controls;
- (iii) our independent non-executive Directors will review, at least on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders;
- (iv) our Controlling Shareholders have undertaken to provide all information necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition;
- (v) we will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-Competition either through an annual report, or by way of announcement to the public;
- (vi) our Controlling Shareholders will make an annual declaration of compliance with the Deed of Non-competition in the annual reports of our Company;
- (vii) the management structure of our Group includes an audit committee, a remuneration committee, and a nomination committee, the terms of reference of each of which will require them to be alert to prospective conflict of interest and to formulate their proposals accordingly; and
- (viii) pursuant to the Corporate Governance Code in Appendix 14 of the Listing Rules, our Directors, including our independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company's costs.

Our Company is expected to comply with the Corporate Governance Code in Appendix 14 of the Listing Rules which sets out principles of good corporate governance in relation to, among others, Directors, chief executive, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communication with our Shareholders. Our Company will state in our interim and annual reports whether we have complied with such code, and will provide details of, and reasons for, any deviation from it in the corporate governance reports attached to our annual reports.

## CONTINUING CONNECTED TRANSACTIONS

### NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS SUBJECT TO REPORTING AND ANNOUNCEMENT REQUIREMENTS

Upon the Listing, we will continue to have certain transactions that will constitute non-exempt continuing connected transactions of our Company under the Listing Rules. Set out below is a summary of these transactions and the waiver we have applied for and that has been granted by the Stock Exchange.

#### **Agreement with Asoem (Int'l) Investment Company Limited (“Asoem”) for Purchase of (i) Spare Parts for Some of our Construction Equipment, (ii) Management Service for our Spare Parts Warehouse and (iii) Certain Construction Equipment**

##### *Background and nature of transactions*

During the Track Record Period, Asoem supplied (i) certain spare parts for our construction equipment, such as parts for our forklifts, (ii) management service for warehouse storing spare parts; and (iii) certain construction equipment to AP Rentals, an indirectly wholly-owned subsidiary of our Company. The historical amounts were determined by the parties through arm's length negotiations with reference to the then prevailing market rate for similar construction equipment spare parts suppliers, management service suppliers and construction equipment suppliers.

##### *Connected person and Relationship*

Asoem is owned as to 100% by Lau Pong Man, the brother of Mr. Lau and brother-in-law of Ms. Chan, each being a Director and a Controlling Shareholder, and is therefore their associate and our connected person under the Listing Rules.

##### *Historical transaction amounts*

The aggregate amounts paid by our Group to Asoem for the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015 were approximately HK\$19,600, HK\$2,590,500, HK\$3,419,900 and HK\$1,982,500, respectively.

##### *Future services*

In anticipation of the Global Offering, our Company entered into a new framework agreement with Asoem on 17 March 2016 (the “**Asoem Framework Agreement**”), governing the supply of (i) spare parts for our construction equipment (ii) management service for our warehouse storing our spare parts; and (iii) certain construction equipment, from Asoem to our Group from time to time. The term of the Asoem Framework Agreement is from the Listing Date to 31 March 2018. The amount payable by our Group to Asoem shall be capped at HK\$4,800,000, HK\$5,800,000 and HK\$7,000,000 for the three financial years ending 31 March 2016, 2017 and 2018, respectively, which was determined based on arm's length negotiations between Asoem and our Group.

## CONTINUING CONNECTED TRANSACTIONS

Under the Asoem Framework Agreement, our Group has the right to terminate the Asoem Framework Agreement at any time prior to its expiration at our Group's discretion by giving not less than two months' written notice to Asoem. As such, our Group enjoys the flexibility to terminate the Asoem Framework Agreement at any time and engage a third-party to provide such spare parts, management service or construction equipment at any time should it consider the goods or services provided by Asoem is no longer suitable for our Group's use or is no longer cost-competitive. If there is any renewal of the Asoem Framework Agreement, our Company will ensure compliance with all relevant requirements under Chapter 14A of the Listing Rules.

### *Pricing*

Under the Asoem Framework Agreement, the price for the transactions of each of the following categories: (i) spare parts of construction equipment; (ii) management service of our warehouse storing our spare parts for construction equipment; and (iii) construction equipment, shall be negotiated on an arm's length basis. Then, we will make reference to such prices for the same or similar goods or services can be obtained from at least two independent suppliers in Hong Kong or Macau (as applicable). Subject to any other relevant considerations, we will not purchase any such goods or services if the price of such transactions offered by Asoem is higher than that offered by such independent suppliers.

### *Annual cap on future transaction amounts*

The maximum annual amount of fee payable to Asoem, or companies controlled by it, by our Group for the three years ending 31 March 2018 shall not exceed the caps set out below:

	<b>Proposed Annual Cap for the years ending 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>(HK\$)</i>		
Amount payable	4,800,000	5,800,000	7,000,000

In determining the proposed annual cap for the year ending 31 March 2016, our Directors have considered the historical amounts paid by AP Rentals to Asoem of HK\$3,419,900 and HK\$1,982,500, respectively, for the year ended 31 March 2015 and the six months ended 30 September 2015; and assumed growth of 40% in transaction amounts in the year ending 31 March 2016 as compared to that of the prior year. The increase for the year ending 31 March 2016 is based on our Directors' expected increase in purchases of spare parts for repair and maintenance of our rental fleet which has been expanding. For the proposed annual caps for the year ending 31 March 2017 and 2018, our Directors assumed that there will be an annual increase of 20% to cater for possible increase in purchases of spare parts and construction equipment to support the anticipated growth in our Group's business and the possible price increment.

Our Directors, after reviewing the Asoem Framework Agreement, have confirmed that the terms and conditions of the Asoem Framework Agreement (i) are fair and reasonable to the parties thereto; and (ii) reflect prevailing market conditions.

## CONTINUING CONNECTED TRANSACTIONS

### **Agreement with A-One Pong Construction Equipment Limited (“A-One Pong”) for Construction Equipment and Vehicles**

#### *Background*

During the Track Record Period, we have entered into sales and rental contracts with A-One Pong to acquire construction equipment and vehicles from time to time. The consideration for the sales and rental contracts were determined by the parties through arm’s length negotiations with reference to the then prevailing market rate for similar purchases and rental of construction equipment and vehicles.

#### *Relationship*

A-One Pong is wholly-owned by Lau Pong Ming, brother of Mr. Lau and brother-in-law of Ms. Chan, each being a Director and Controlling Shareholder, and is therefore their associate and our connected person under the Listing Rules.

#### *Historical transaction amounts*

The aggregate amount payable to A-One Pong by our Group for the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015 were HK\$1,811,300, HK\$3,610,000, HK\$5,884,600 and HK\$2,216,000, respectively.

#### *Future services*

In anticipation of the Global Offering, our Company entered into a framework agreement with A-One Pong on 17 March 2016 (the “**A-One Pong Framework Agreement**”) governing the sales and rental of construction equipment and vehicles by A-One Pong to our Group from time to time. The term of the agreement granted under the A-One Pong Framework Agreement is valid from the Listing Date to 31 March 2018. The consideration for the transactions under the A-One Pong Framework Agreement shall be capped at HK\$6,800,000, HK\$7,800,000 and HK\$8,800,000 for the three financial years ending 31 March 2016, 2017 and 2018, which was determined based on arm’s length negotiations between A-One Pong and our Group.

Under the A-One Pong Framework Agreement, our Group has the right to terminate the A-One Pong Framework Agreement at any time prior to its expiration at our Group’s discretion by giving not less than two months’ written notice to A-One Pong. As such, our Group enjoys the flexibility to terminate the A-One Pong Framework Agreement at any time and engage a third-party to sell or lease such goods should it consider the goods provided by A-One Pong is no longer cost-competitive or desirable. Should there be any renewal of the term of the A-One Pong Framework Agreement, our Company will ensure compliance with all relevant requirements under Chapter 14A of the Listing Rules.

## CONTINUING CONNECTED TRANSACTIONS

### *Pricing*

Under the A-One Pong Framework Agreement, the price for the transactions of each of the following categories: (i) construction equipment and (ii) vehicles, shall be negotiated on an arm's length basis. Then, we will make reference to such prices for the same or similar goods that can be obtained from at least two independent suppliers in Hong Kong or Macau (as applicable). Subject to any other relevant considerations, we will not purchase any such goods if the price of such transactions offered by A-One Pong is higher than that offered by such independent suppliers.

### *Annual cap on future transaction amounts*

The maximum amount payable to A-One Pong, or companies controlled by it, by our Group for the three years ending 31 March 2018 shall not exceed the caps set out below:

	<b>Proposed Annual Cap for the years ending 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>(HK\$)</i>		
Amount payable	6,800,000	7,800,000	8,800,000

In determining the proposed annual cap for the year ending 31 March 2016, our Directors have considered the historical amounts paid by AP Rentals to A-One Pong of HK\$5,884,600 and HK\$2,216,000, respectively, for the year ended 31 March 2015 and the six months ended 30 September 2015; and assumed growth of 16% in transaction amounts for the year ending 31 March 2016 as compared to that of the prior year. For the proposed annual caps for the year ending 31 March 2017 and 2018, our Directors assumed that there will be an annual increase of 13% to 15% to cater for possible increase in purchases and rentals of construction equipment and vehicles to support the anticipated growth in our Group's business.

Our Directors, after reviewing the A-One Pong Framework Agreement, have confirmed that the terms and conditions of the A-One Pong Framework Agreement (i) are fair and reasonable to the parties thereto; and (ii) reflect prevailing market conditions.

### **INTERNAL CONTROL MEASURES IN RESPECT OF THE CONTINUING CONNECTED TRANSACTIONS**

Our Audit Committee, which is comprised entirely of our independent non-executive Directors, will continuously monitor our Group's continuing connected transactions on an on-going basis. An annual review report on continuing connected transactions will be compiled by our Audit Committee. This report will be reproduced in the annual reports for each financial year after the Listing. Our Group believes that our Audit Committee will carefully consider whether all of the continuing connected transactions of our Group are entered into under ordinary and usual course of business of our Group, on normal commercial terms or, if applicable, on terms no less favourable to our Group than those available to or from (as appropriate) independent third parties, and are fair and reasonable to our Group and in the interests of our Company and our Shareholders as a whole.

## CONTINUING CONNECTED TRANSACTIONS

Our Audit Committee also has the following functions to safeguard the annual review of the continuing connected transactions:

- (i) meetings every six months to review the reports on continuing connected transactions;
- (ii) power to request further information with respect to our Group's continuing connected transactions to be provided by the senior management of our Company as it deems to be appropriate for its review;
- (iii) authority to appoint any financial or legal advisor as the Audit Committee considers necessary for its review;
- (iv) decision-making in relation to the continuance or discontinuance of any of our Group's continuing connected transactions in accordance with the results of its review;
- (v) the committee's approval being a condition precedent to the convening of a Board meeting to approve any new continuing connected transactions or the renewal of any continuing connected transactions, as the case may be;
- (vi) formation of its own opinion regarding the enforcement of the continuing connected transaction agreements and disclosure of such opinion in our Company's annual report for each financial year;
- (vii) initiation of legal proceedings against the respective connected person in the event any of the connected transaction agreements has been materially breached; and
- (viii) the power to require alterations, modifications or changes to the terms of the continuing connected transactions in whatever manner as our independent non-executive Directors see fit to ensure all connected transactions are carried out on an arm's length basis.

Our Directors who may be perceived to have conflicts of interests, such as Directors who are connected with the connected person, will not participate in any meetings or discussions of our Board and our Audit Committee, or be included in any decision-making processes relating to such conflicting matters.

### **WAIVER**

#### **Application for Waiver**

We expect to continue to enter into or carry out the transactions described above under in this section above following the Listing and these transactions will constitute non-exempt continuing connected transactions for us under the Listing Rules following the Listing.

## CONTINUING CONNECTED TRANSACTIONS

### Scope of Waiver

Under the Listing Rules, the Asoem Framework Agreement and A-One Pong Framework Agreement are considered to be non-exempt continuing connected transactions subject to the written agreement, announcement, annual reporting, terms of an agreement, annual caps and annual review requirements in Chapter 14 of the Listing Rules.

As the Asoem Framework Agreement and A-One Pong Framework Agreement described above are and will continue to be entered into in the ordinary and usual course of business of our Group on a continuing basis, our Directors are of the view that compliance with the announcement requirement under Rule 14A.35 of the Listing Rules would impose unnecessary administrative costs and burden to our Group and would at times be impracticable.

Accordingly, the Sole Sponsor and our Directors have applied for, and the Stock Exchange has granted our Company, a waiver from strict compliance with the announcement requirement under Rule 14A.35 of the Listing Rules as may otherwise be required of our Company in respect of the Asoem Framework Agreement and A-One Pong Framework Agreement pursuant to Rule 14A.102 and Rule 14A.105 of the Listing Rules. The waiver is valid provided that the total consideration from the Asoem Framework Agreement and A-One Pong Framework Agreement do not exceed the respective proposed annual caps for the relevant periods aforementioned.

Our Company will comply with the written agreement requirement under Rule 14A.34 of the Listing Rules, the annual reporting requirement under Rule 14A.49 of the Listing Rules, the terms of an agreement requirement under Rule 14A.51 to Rule 14A.52 of the Listing Rules, the annual cap requirement under Rule 14A.53 of the Listing Rules, the changes to cap or terms of agreement requirement under Rule 14A.54 of the Listing Rules and the annual review requirements under Rule 14A.55 to Rule 14A.59 of the Listing Rules in respect of the Asoem Framework Agreement and A-One Pong Framework Agreement.

In addition, we will comply with the reporting requirements and disclose the details of the transactions in our subsequent annual reports for each of the three years ending 31 March 2018 pursuant to Rule 14A.49 of the Listing Rules. Upon expiry of the waiver after 31 March 2018, we will comply with the applicable provisions of Chapter 14A of the Listing Rules as amended from time to time or apply for relevant waivers.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those as at the date of this prospectus on the non-exempt continuing connected transactions referred to in this section including, but not limited to, a requirement that these transactions be made conditional upon our independent Shareholders' approval, we will take immediate steps to ensure compliance with such requirements.

## CONTINUING CONNECTED TRANSACTIONS

### **Opinion of our Directors**

Our Directors (including our independent non-executive Directors) are of the opinion that (i) the non-exempt continuing connected transactions described above has been entered into and will be carried out in the ordinary and usual course of our Group's business and on normal commercial terms or better, (ii) the terms of each of the non-exempt continuing connected transactions described above are fair and reasonable and in the interests of our Shareholders as a whole, and (iii) the proposed annual caps for these non-exempt continuing connected transactions are fair and reasonable and in the interests of our Shareholders as a whole.

### **Confirmation from the Sole Sponsor**

The Sole Sponsor is of the view that (i) the non-exempt continuing connected transactions described above have been entered into and will be carried out in the ordinary and usual course of our Group's business and on normal commercial terms or better, and (ii) the terms of the non-exempt continuing connected transactions described above are fair and reasonable and in the interests of our Shareholders as a whole; and (iii) the proposed annual caps for these non-exempt continuing connected transactions are fair and reasonable and in the interest of our Shareholders as a whole.



## SUBSTANTIAL SHAREHOLDERS

### SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering and the Capitalisation Issue, the following persons will have an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to our Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of shareholder	Capacity/Nature of interest	Number of Shares held	Approximate percentage of shareholding in our Company
Mr. Lau <sup>(1),(3)</sup>	Interest in a controlled corporation	363,528,000	42.075%
	Interest of spouse	284,471,352	32.925%
New Club House	Beneficial interest	363,528,000	42.075%
Ms. Chan <sup>(2),(4)</sup>	Interest in a controlled corporation	284,471,352	32.925%
	Interest of spouse	363,528,000	42.075%
Great Club House	Beneficial interest	284,471,352	32.925%
Kanamoto Japan	Beneficial interest	64,800,648	7.500%

*Notes:*

- (1) Our Company will be directly owned as to 42.075% by New Club House immediately upon the completion of the Global Offering and the Capitalisation Issue. By virtue of his 100% shareholding in New Club House, Mr. Lau is deemed to be interested in the same number of Shares held by New Club House.
- (2) Our Company will be directly owned as to 32.925% by Great Club House immediately upon the completion of the Global Offering and the Capitalisation Issue. By virtue of her 100% shareholding in Great Club House, Ms. Chan is deemed to be interested in the same number of Shares held by Great Club House.
- (3) Mr. Lau is the spouse of Ms. Chan. Under the SFO, Mr. Lau is deemed to be interested in the same number of Shares in which Ms. Chan is interested.
- (4) Ms. Chan is the spouse of Mr. Lau. Under the SFO, Ms. Chan is deemed to be interested in the same number of Shares in which Mr. Lau is interested.

## **SUBSTANTIAL SHAREHOLDERS**

Save as disclosed in this paragraph, our Directors are not aware of any persons who will, immediately following completion of the Global Offering and the Capitalisation Issue, have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

## SHARE CAPITAL

The authorised and issued share capital of our Company is as follows:

HK\$

*Authorised share capital:*

<u>10,000,000,000</u> Shares of HK\$0.001 each	<u>10,000,000</u>
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Assuming the Over-allotment Option is not exercised, the issued share capital of our Company immediately following completion of the Global Offering and Capitalisation Issue will be as follows (without taking into account any Shares which may be issued and allotted pursuant to any exercise of the options which have been or may be granted under the Share Option Scheme):

HK\$

*Issued and to be issued, fully paid or credited as fully paid:*

27,378,000 Shares in issue at the date of this prospectus	27,378
685,422,000 Shares to be issued pursuant to the Capitalisation Issue	685,422
151,200,000 Shares to be issued pursuant to the Global Offering (excluding any Shares which may be issued under the Over-allotment Option)	151,200
<u>864,000,000</u> Shares	<u>864,000</u>

Assuming the Over-allotment Option is exercised in full, the share capital of our Company immediately following completion of the Global Offering and Capitalisation Issue will be as follows (without taking into account any Shares which may be issued and allotted pursuant to any exercise of the options which have been or may be granted under the Share Option Scheme):

HK\$

*Issued and to be issued, fully paid or credited as fully paid:*

27,378,000 Shares in issue at the date of this prospectus	27,378
685,422,000 Shares to be issued pursuant to the Capitalisation Issue	685,422
173,880,000 Shares to be issued pursuant to the Global Offering (inclusive of any Shares which may be issued under the Over-allotment Option exercised in full)	173,880
<u>886,680,000</u> Shares	<u>886,680</u>

## SHARE CAPITAL

### Assumptions

The above tables assume the Global Offering has become unconditional and the issue of Shares pursuant thereto is made as described herein. It does not take into account (a) Shares which may be allotted and issued upon the exercise of options which have been or may be granted under the Share Option Scheme; or (b) Shares which may be allotted and issued or bought back by our Company under the general mandates for the allotment and issue or buy-back of Shares granted to our Directors as referred to below or otherwise.

### Ranking

The Offer Shares and the Shares that may be issued pursuant to the Over-allotment Option shall rank pari passu with all existing Shares in issue on the date of the allotment and issue of such Shares, and in particular will be entitled to all dividends or other distributions declared, made or paid after the date of this prospectus except for the Capitalisation Issue.

### Capitalisation Issue

Pursuant to the extraordinary general meeting of our Shareholders on 17 March 2016, conditional upon the share premium account of our Company being credited as a result of the issue of the Offer Shares pursuant to the Global Offering, our Directors were authorised to allot and issue a total of 685,422,000 Shares credited as fully paid at par to the Shareholders whose names appear on the register of members of our Company at close of business on 17 March 2016 in proportion to their respective shareholdings by way of capitalisation of the sum of HK\$685,422 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to the Capitalisation Issue shall rank pari passu in all respects with the existing issued Shares.

### Share Option Scheme

Our Company has conditionally adopted the Share Option Scheme on 17 March 2016. A summary of the principal terms of the Share Option Scheme is set out in “D. Share option schemes — Share Option Scheme” in Appendix IV to this prospectus.

### GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted with a general unconditional mandate to allot, issue and deal with Shares in total number of not more than the sum of:

- (a) 20% of the total number of Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue (excluding any Shares that may be issued upon exercise of the Over-allotment Option); and
- (b) the total number of Shares bought back by our Company, if any, under the general mandate to buy-back Shares referred to below.

## SHARE CAPITAL

The total number of Shares which our Directors are authorised to allot and issue under this mandate will not be reduced by the allotment and issue of Shares pursuant to (i) a rights issue, or (ii) any scrip dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association; or (iii) any specific authority granted by the Shareholders in general meeting(s); or (iv) the exercise of options which may be granted under the Share Option Scheme or any arrangement which may be regulated under Chapter 17 of the Listing Rules.

This mandate will expire at the earliest of:

- (a) the conclusion of our Company's next annual general meeting unless by ordinary resolution passed at that meeting, the issuing mandate is renewed, either unconditionally or subject to conditions; or
- (b) the expiration of the period within which our Company is required by the applicable Cayman Islands law or the Articles of Association to hold its next annual general meeting; or
- (c) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please see "A. Further Information about our Company — 4. Extraordinary general meeting of our Shareholders on 17 March 2016" in Appendix IV to this prospectus.

### **GENERAL MANDATE TO BUY-BACK SHARES**

Subject to the Global Offering becoming unconditional, our Directors have been granted with a general unconditional mandate to exercise all the powers of our Company to buy-back Shares in total number of not more than 10% of the total number of Shares in issue following the completion of the Global Offering and the Capitalisation Issue (excluding any Shares that may be issued upon exercise of the Over-allotment Option).

This mandate only relates to buy-backs made on the Stock Exchange, or any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and requirements of the Listing Rules. Further information required by the Stock Exchange to be included in this prospectus regarding the buy-back of Shares is set out in "A. Further Information about our Company — 6. Buy-back by our Company of its own securities" in Appendix IV to this prospectus.

This mandate will expire at the earliest of:

- (a) the conclusion of our Company's next annual general meeting unless by ordinary resolution passed at that meeting, the repurchase mandate is renewed, either unconditionally or subject to conditions; or

## SHARE CAPITAL

- (b) the expiration of the period within which our Company is required by the applicable Cayman Island law or the Articles of Association to hold its next annual general meeting; or
- (c) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, see “A. Further Information about our Company — 4. Extraordinary general meeting of our Shareholders on 17 March 2016” and “6. Buy-back by our Company of its own securities” in Appendix IV to this prospectus.

### **CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED**

Pursuant to the Companies Law and the terms of the Memorandum of Association and Articles of Association, our Company may from time to time by ordinary resolution of Shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may subject to the provisions of the Companies Law reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. For details, see “Appendix III — Summary of the Constitution of the Company and Cayman Islands Companies Law — 2. Articles of Association — (c) Alteration of capital” in this prospectus.

Pursuant to the Companies Law and the terms of the Memorandum of Association and Articles of Association, all or any of the special rights attached to the Shares or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths 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. For details, see “Appendix III — Summary of the Constitution of the Company and Cayman Islands Companies Law — 2. Articles of Association — (d) Variation of rights of existing shares or classes of shares” in this prospectus.

## FINANCIAL INFORMATION

*The following discussion and analysis should be read in conjunction with our consolidated financial statements as at and for the three years ended 31 March 2013, 2014 and 2015 and six months ended 30 September 2015 together with the accompanying notes, included in Appendix I to this prospectus. Our consolidated financial statements have been prepared in accordance with HKFRS, which may differ in material respects from the generally accepted accounting principles in other jurisdictions.*

*The following discussion contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current condition and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether actual outcome and developments will meet our expectations and predictions depends on a number of factors over which we have no control. You should review the section headed "Risk Factors" in this prospectus for a discussion of the important factors that could cause our actual results to differ materially from the results described in or implied by forward-looking statements.*

*Our financial year begins from 1 April and ends on 31 March. All references to "FY2013", "FY2014" and "FY2015" mean the financial years ended 31 March 2013, 31 March 2014 and 31 March 2015 respectively. All references to "1H2015" and "1H2016" mean the six months ended 30 September 2014 and 30 September 2015, respectively.*

### OVERVIEW

We are a leading equipment rental service company in Hong Kong, with the capability of providing a wide range of construction, E&M engineering and Event and Entertainment equipment, equipment rental-related solutions and value-added services to our customers. We were the third largest company in the construction equipment rental industry in Hong Kong and the largest in Macau (with market share of 3.4% and 4.2% in 2014, respectively, based on our rental income of HK\$127.3 million and MOP35.4 million<sup>(1)</sup>, according to the F&S Report). Because the construction equipment rental and trading industries in Hong Kong and Macau are highly fragmented and competitive, with many market leaders, our market position could change very quickly. The top five leading players in the construction equipment rental market in Hong Kong and Macau, including our Group, accounted for only 20.6% and 14.3% of the total market revenue in 2014, respectively, according to the F&S Report.

We are principally engaged in the rental of equipment and provision of value-added rental services to customers. Our equipment may be rented to customers on (i) non-operated basis (without the provision of operators), (ii) operated basis (where we provide our operators to operate the equipment), or (iii) with service basis (with inclusion of equipment planning, transportation, installation, operation, standby refuelling and maintenance, disassembling and other technical support services).<sup>(2)</sup>

<sup>(1)</sup> They represent our rental income for the financial year ended 31 March 2015.

<sup>(2)</sup> Each of our equipment rental contracts may include operating service and/or other services, and may not be clearly and easily classified into one of the above categories.

## FINANCIAL INFORMATION

As part of our rental services, we supply equipment spare parts, and provide other equipment related services such as technical support and transportation service for equipment. As part of our fleet management and full service capability, we sell our used rental equipment to customers from time to time and receive proceeds from such disposal. With our established equipment sales channels, we trade new and used equipment to match the requirements of customers and this also broadens our customer base and streams of revenue. The following table sets forth the breakdown of our revenue by our business segments during the Track Record Period.

	For the year ended 31 March						For the six months ended 30 September			
	2013		2014		2015		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Rental services	141,634	88.7	171,102	78.5	189,350	83.0	93,634	84.4	103,417	85.2
Trading of equipment and spare parts	<u>18,117</u>	<u>11.3</u>	<u>46,847</u>	<u>21.5</u>	<u>38,875</u>	<u>17.0</u>	<u>17,294</u>	<u>15.6</u>	<u>18,020</u>	<u>14.8</u>
Total	<u>159,751</u>	<u>100.0</u>	<u>217,949</u>	<u>100.0</u>	<u>228,225</u>	<u>100.0</u>	<u>110,928</u>	<u>100.0</u>	<u>121,437</u>	<u>100.0</u>

### Rental services

We provide equipment rental-related solutions with value-added services for a wide range of equipment to our customers, mainly for construction works and E&M installation projects as well as for large-scale entertainment and other events in Hong Kong and Macau. Our rental services include, depending on the customers' requirements, equipment operating services, technical support and services, and other equipment related services. The following table sets forth the breakdown of our revenue from rental services during the Track Record Period.

	For the year ended 31 March						For the six months ended 30 September			
	2013		2014		2015		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Rental income	119,422	84.3	143,657	84.0	161,660	85.4	78,895	84.2	88,364	85.4
Equipment operating service	16,405	11.6	19,295	11.3	16,926	8.9	9,240	9.9	9,824	9.5
Other services*	<u>5,807</u>	<u>4.1</u>	<u>8,150</u>	<u>4.7</u>	<u>10,764</u>	<u>5.7</u>	<u>5,499</u>	<u>5.9</u>	<u>5,229</u>	<u>5.1</u>
Total	<u>141,634</u>	<u>100.0</u>	<u>171,102</u>	<u>100.0</u>	<u>189,350</u>	<u>100.0</u>	<u>93,634</u>	<u>100.0</u>	<u>103,417</u>	<u>100.0</u>

\* Comprised repair, maintenance and technical support services during the rental period and miscellaneous equipment rental related services (including on-demand technical support and transportation services, equipment assembly, installation and dismantling services).



## FINANCIAL INFORMATION

### Trading of equipment and spare parts

We are capable of satisfying specific demand and requirements for customers by sourcing new and used equipment from different suppliers for on-selling to customers. We also offer equipment spare parts and components. The following table sets forth the breakdown of our revenue from trading during the Track Record Period.

	For the year ended 31 March						For the six months ended 30 September			
	2013		2014		2015		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Sales of machinery and spare parts	17,982	99.3	46,444	99.1	38,530	99.1	17,219	99.6	17,952	99.6
Other services*	135	0.7	403	0.9	345	0.9	75	0.4	68	0.4
<b>Total</b>	<b>18,117</b>	<b>100.0</b>	<b>46,847</b>	<b>100.0</b>	<b>38,875</b>	<b>100.0</b>	<b>17,294</b>	<b>100.0</b>	<b>18,020</b>	<b>100.0</b>

\* Being transportation services related to the sales of machinery and spare parts.

During the Track Record Period, all of our revenue was derived from our operations in Hong Kong and Macau. Set out below is a breakdown of our revenue in Hong Kong and Macau during the Track Record Period.

	For the year ended 31 March						For the six months ended 30 September			
	2013		2014		2015		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Hong Kong	157,220	98.4	209,469	96.1	187,344	82.1	94,924	85.6	96,108	79.1
Macau	2,531	1.6	8,480	3.9	40,881	17.9	16,004	14.4	25,329	20.9
<b>Total</b>	<b>159,751</b>	<b>100.0</b>	<b>217,949</b>	<b>100.0</b>	<b>228,225</b>	<b>100.0</b>	<b>110,928</b>	<b>100.0</b>	<b>121,437</b>	<b>100.0</b>

### KEY FACTORS AFFECTING OUR FINANCIAL POSITION AND RESULTS OF OUR OPERATIONS

#### Economic conditions and level of construction activities in Hong Kong and Macau

As our revenue is mainly derived from the rental of equipment and provision of value-added rental services to customers, mainly for construction works and E&M installation projects as well as for large-scale entertainment and other events in Hong Kong and Macau, our results are closely tied to general economic conditions in Hong Kong and Macau and the level of construction activities in these regions. According to the F&S Report, overall revenue from construction industry in Hong Kong increased at a CAGR of 6.8% from 2010 to 2014, and is expected to grow at a CAGR of 5.0% from 2015 to 2019. Macau's construction industry recorded strong performance from 2010 to 2014, registering a CAGR of 35.6%. For more information relating to the construction industry in Hong Kong and Macau, please refer to the sub-section headed "Overview of the construction industry in Hong Kong and Macau" as set out in the "Industry Overview" section in this prospectus.

## FINANCIAL INFORMATION

### **Our leading position in the equipment rental market in Hong Kong and our ability to maintain our reputation in the industry**

We are a leading equipment rental service company in Hong Kong, with the capability of providing a wide range of construction, E&M engineering and Event and Entertainment equipment, equipment rental-related solutions and value-added services to our customers. We were the third largest company in the construction equipment rental industry in Hong Kong and the largest in Macau (with market share of 3.4% and 4.2% in 2014, respectively, based on our rental income of HK\$127.3 million and MOP35.4 million<sup>(1)</sup>, according to the F&S Report). We believe we have established our reputation for our ability to provide workable solutions in the planning and deployment for equipment and have thereby garnered customers' confidence and strengthened customer loyalty. Moreover, we believe that our leading position, industry reputation and strong relationship with major suppliers and customers provide us with a favourable position to capture the overall growth trend of the construction equipment rental markets in Hong Kong and Macau. Our ability to maintain our market position and industry reputation thus affects our ability to generate revenue.

### **Our fleet management strategy**

We believe we have adopted a flexible fleet management strategy that aims to optimise the size and composition of our equipment fleet to adapt to changing market conditions and trends. When considering the expansion of our rental fleet, we will take into account the type and specification of equipment with high demand based on our forecasts, and only purchase equipment selectively after detailed consideration to ensure that it would provide satisfactory return in terms of rental income and resale value. In addition to our owned equipment, our rental fleet includes equipment which we rent from our suppliers, including our Shareholder and strategic partner, Kanamoto. Such arrangements allow us to provide a wide range of equipment even when we do not have the required equipment in our fleet. Our fleet management strategy therefore affects our financial performance, as it impacts on the amount of machinery hiring expenses (being the largest component of our cost of sales during the Track Record Period) and depreciation expenses we would incur.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in machinery hiring expenses on profit after tax for the Track Record Period. Fluctuations are assumed to be 5%, 8% and 10% for each of FY2013, FY2014, FY2015 and 1H2016.

<b>Change in machinery hiring expenses</b>	<b>+10%</b>	<b>+8%</b>	<b>+5%</b>	<b>-5%</b>	<b>-8%</b>	<b>-10%</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Impact on profit after tax for</i>						
FY2013	(4,889)	(3,911)	(2,444)	2,444	3,911	4,889
FY2014	(5,604)	(4,483)	(2,802)	2,802	4,483	5,604
FY2015	(5,441)	(4,353)	(2,720)	2,720	4,353	5,441
1H2016	(2,686)	(2,149)	(1,343)	1,343	2,149	2,686

<sup>(1)</sup> They represent our rental income for the financial year ended 31 March 2015.

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### Employees and staff costs

We believe our employees are the most valuable resources to achieve our success and are not easily replaceable, and believe that there is a shortage of skilled equipment operators available in the market. Should we fail to retain our employees, our capability to provide value-added services to help customers meet their different requirements and resolve technical difficulties may be adversely affected. This would reduce our competitiveness and adversely affect our profitability and financial performance.

Staff costs for our equipment operators, technicians and truck drivers was also one of the major components of our Group's cost of sales, which accounted for approximately 19.3%, 15.2%, 15.0% and 16.8% of our Group's total cost of sales for FY2013, FY2014, FY2015 and 1H2016. Should we fail to retain our employees and control our staff costs, our operational results may be adversely affected.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in staff costs for our equipment operators, technicians and truck drivers on the profit after tax for the Track Record Period. Fluctuations are assumed to be 5%, 8%, and 10% for each of FY2013, FY2014, FY2015 and 1H2016.

Change in staff costs	+10%	+8%	+5%	-5%	-8%	-10%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Impact on profit after tax for</i>						
FY2013	(1,715)	(1,372)	(857)	857	1,372	1,715
FY2014	(1,978)	(1,582)	(989)	989	1,582	1,978
FY2015	(1,997)	(1,597)	(998)	998	1,597	1,997
1H2016	(1,123)	(899)	(562)	562	899	1,123

### REORGANISATION AND BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands under the Cayman Islands Companies Law as an exempted Company with limited liability on 11 June 2015 in preparation for a listing of our Shares. Pursuant to the Reorganisation as more fully described in the section "History and Development — Our Reorganisation" in this prospectus, our Company became the holding company of the Group on 21 July 2015. Apart from the Reorganisation, our Company has not commenced any business or operation since its incorporation.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of our Group which include the results, changes in equity and cash flows of the companies comprising our Group for the Track Record Period which has been prepared as if our Company had always been the holding company of the companies now comprising our Group and the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation/registration, where it is a shorter period. The consolidated financial statements of financial position of our Group as at 31 March 2013, 31 March 2014 and 31 March

## FINANCIAL INFORMATION

2015 present the assets and liabilities of the companies comprising our Group which had been incorporated or registered on those dates and as if our current group structure had been in existence as at those dates.

### CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

We have identified certain significant accounting policies that are critical to the preparation of our financial information. These significant accounting policies are important for an understanding of our financial position and results of operations and are set forth in Note 4 “Significant Accounting Policies” of the Accountants’ Report in Appendix I to this prospectus.

The preparation of the financial information requires our management to make significant and subjective estimates, assumptions and judgments based on our own historical experience, knowledge and assessment of our business conditions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at each financial year/period end during the Track Record Period.

As use of estimates and judgment form an integral part of the financial reporting process, the actual results may differ from these assumptions, estimates and judgments and could result in outcomes that require a material adjustment to the carrying amounts of the assets and liabilities affected in the future. These key estimates are set forth in Note 5 “Key Sources of Estimation Uncertainty” of the Accountants’ Report in Appendix I to this prospectus.

We believe that the following critical accounting policies and accounting estimates involve the most significant judgments and estimates used in the preparation of the consolidated financial statements.

#### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Rental income from machinery leasing under operating lease is recognised on a straight-line basis over the term of the relevant lease. Operating service income and other services income are recognised when services are rendered.

Revenue from the sale of goods in the ordinary course of business is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- our Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- our Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;

## FINANCIAL INFORMATION

- it is probable that the economic benefits associated with the transaction will flow to our Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

### **Property, plant and equipment**

Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual value 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.

### **Depreciation of property, plant and equipment**

We determine the residual value, useful lives and related depreciation charges for the property, plant and equipment. This estimate is based on the historical experience of the actual residual value and useful lives of plant and equipment of similar nature and functions and may vary significantly as a result of technical innovations and keen competition from competitors, resulting in higher depreciation charge and/or write-off or write-down of technically obsolete assets when residual value or useful lives are less than previously estimated.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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### Impairment of 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.

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 reorganisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and amounts due from related companies, where the carrying amounts are reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable or an amount due from a related company is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

### 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.

#### *Our Group as lessor*

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

#### *Our Group as lessee*

Assets held under finance leases are recognised as assets of our 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 consolidated statements of financial position as obligations under finance leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

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IFRS 16 will be effective for annual periods beginning on or after 1 January 2019 and will supersede International Accounting Standards 17 *Leases*. Given the convergence between IFRS and HKFRS, IFRS 16 will presumably have an effect on our Company's financial results and position in the future. This new standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.

As at 31 March 2013, 2014 and 2015 and 30 September 2015, the non-cancellable lease contracts entered into by our Group as lessee amounted to HK\$0.1 million, HK\$2.9 million, HK\$1.7 million and HK\$1.2 million, respectively. Based on the aforementioned amount of non-cancellable lease contracts entered by our Group, our Directors expect that the adoption of the equivalent standard of IFRS 16 in Hong Kong will not have a significant impact on the result and financial position of our Group should the standard have been required to be adopted.

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### SUMMARY OF RESULTS OF OPERATIONS

The following table summarises our audited consolidated results for the Track Record Period prepared on the basis set out in the audited financial statements as set out in the Accountants' Report of our Group contained in Appendix I to this prospectus. Potential investors should read this section in conjunction with the Accountants' Report of our Group contained in Appendix I to this prospectus and not rely merely on the information contained in this section.

	For the year ended 31 March			For the six months ended 30 September	
	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	159,751	217,949	228,225	110,928	121,437
Cost of sales and services	<u>(106,438)</u>	<u>(156,256)</u>	<u>(158,904)</u>	<u>(77,359)</u>	<u>(80,102)</u>
Gross profit	53,313	61,693	69,321	33,569	41,335
Other income	1,087	1,152	2,066	928	1,379
Other gains and losses	(446)	3,172	2,625	664	678
Administrative expenses	(11,359)	(18,091)	(21,427)	(9,270)	(11,527)
Listing expenses	—	—	—	—	(7,888)
Finance costs	<u>(331)</u>	<u>(385)</u>	<u>(1,113)</u>	<u>(473)</u>	<u>(580)</u>
Profit before taxation	42,264	47,541	51,472	25,418	23,397
Income tax expense	<u>(6,967)</u>	<u>(7,416)</u>	<u>(8,547)</u>	<u>(4,491)</u>	<u>(4,896)</u>
Profit and total comprehensive income for the year/period	<u><u>35,297</u></u>	<u><u>40,125</u></u>	<u><u>42,925</u></u>	<u><u>20,927</u></u>	<u><u>18,501</u></u>



## FINANCIAL INFORMATION

### DESCRIPTION OF CERTAIN INCOME STATEMENT ITEMS

#### Revenue

Our revenue increased from HK\$159.8 million in FY2013 to HK\$217.9 million in FY2014 and to HK\$228.2 million in FY2015, representing a CAGR of 19.5%. Our revenue increased by 9.5% from HK\$110.9 million in 1H2015 to HK\$121.4 million in 1H2016.

The following table shows a breakdown by our sales segments during the Track Record Period.

	For the year ended 31 March						For the six months ended 30 September			
	2013		2014		2015		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
<b>Rental Services</b>										
Rental income	119,422	74.8	143,657	65.9	161,660	70.9	78,895	71.1	88,364	72.8
Equipment operating service	16,405	10.3	19,295	8.9	16,926	7.4	9,240	8.3	9,824	8.1
Other services*	5,807	3.6	8,150	3.7	10,764	4.7	5,499	5.0	5,229	4.3
<b>Sub-total</b>	<b>141,634</b>	<b>88.7</b>	<b>171,102</b>	<b>78.5</b>	<b>189,350</b>	<b>83.0</b>	<b>93,634</b>	<b>84.4</b>	<b>103,417</b>	<b>85.2</b>
<b>Trading</b>										
Sales of machinery and spare parts	17,982	11.2	46,444	21.3	38,530	16.9	17,219	15.5	17,952	14.8
Other services**	135	0.1	403	0.2	345	0.1	75	0.1	68	0.0
<b>Sub-total</b>	<b>18,117</b>	<b>11.3</b>	<b>46,847</b>	<b>21.5</b>	<b>38,875</b>	<b>17.0</b>	<b>17,294</b>	<b>15.6</b>	<b>18,020</b>	<b>14.8</b>
<b>Total revenue</b>	<b>159,751</b>	<b>100.0</b>	<b>217,949</b>	<b>100.0</b>	<b>228,225</b>	<b>100.0</b>	<b>110,928</b>	<b>100.0</b>	<b>121,437</b>	<b>100.0</b>

\* Comprised repair, maintenance and technical support services during the rental period and miscellaneous equipment rental related services (including on-demand technical support and transportation services, equipment assembly, installation and dismantling services).

\*\* Being transportation services related to the sales of machinery and spare parts.

## FINANCIAL INFORMATION

### (i) *Rental Services*

#### *Rental income*

Rental income from our rental services involved the rental of construction, E&M engineering and Event and Entertainment equipment including power and energy equipment, high-reach equipment, material handling equipment and other equipment, which includes lifting, earth moving, foundation, road and transportation, tunnelling, demolition and small equipment (“**Other Equipment**”) mainly for construction works and E&M installation projects as well as for large-scale entertainment and other events in Hong Kong and Macau. Rental income amounted to HK\$119.4 million, HK\$143.7 million, HK\$161.7 million and HK\$88.4 million, and contributed to 74.8%, 65.9%, 70.9% and 72.8% of our total revenue in FY2013, FY2014, FY2015 and 1H2016.

Set forth below are the details of our rental income generated from our rented fleet and owned fleet during the Track Record Period.

	For the year ended 31 March						For the six months ended 30 September			
	2013		2014		2015		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Rented fleet	97,784	81.9	105,324	73.3	110,905	68.6	54,913	69.6	55,886	63.2
Owned fleet	21,638	18.1	38,333	26.7	50,755	31.4	23,982	30.4	32,478	36.8
<b>Total</b>	<b>119,422</b>	<b>100.0</b>	<b>143,657</b>	<b>100.0</b>	<b>161,660</b>	<b>100.0</b>	<b>78,895</b>	<b>100.0</b>	<b>88,364</b>	<b>100.0</b>

We generate a substantial part of our rental income from our rented fleet of equipment, representing 81.9%, 73.3%, 68.6% and 63.2% of our rental income for FY2013, FY2014, FY2015 and 1H2016, respectively.

Set out below are the details of our rental income by public project and private project during the Track Record Period.

	For the year ended 31 March						For the six months ended 30 September			
	2013		2014		2015		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Public project	90,639	75.9	112,187	78.1	100,607	62.2	53,268	67.5	53,987	61.1
Private project	28,783	24.1	31,470	21.9	61,053	37.8	25,627	32.5	34,377	38.9
<b>Total</b>	<b>119,422</b>	<b>100.0</b>	<b>143,657</b>	<b>100.0</b>	<b>161,660</b>	<b>100.0</b>	<b>78,895</b>	<b>100.0</b>	<b>88,364</b>	<b>100.0</b>

## FINANCIAL INFORMATION

Set out below are the details of our rental income generated in Hong Kong and Macau during the Track Record Period.

	For the year ended 31 March						For the six months ended 30 September			
	2013		2014		2015		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Hong Kong	116,936	97.9	135,871	94.6	127,266	78.7	65,734	83.3	66,745	75.5
Macau	<u>2,486</u>	<u>2.1</u>	<u>7,786</u>	<u>5.4</u>	<u>34,394</u>	<u>21.3</u>	<u>13,161</u>	<u>16.7</u>	<u>21,619</u>	<u>24.5</u>
Total	<u>119,422</u>	<u>100.0</u>	<u>143,657</u>	<u>100.0</u>	<u>161,660</u>	<u>100.0</u>	<u>78,895</u>	<u>100.0</u>	<u>88,364</u>	<u>100.0</u>

Our rental income is closely tied to the level of construction activities and the number of infrastructure projects in Hong Kong and Macau. Our rental income increased from HK\$119.4 million in FY2013 to HK\$143.7 million in FY2014, representing an increase of 20.3%. Such increase was mainly attributable to the increase in demand for our construction equipment in FY2014 for infrastructure projects in Hong Kong, mainly (i) Hong Kong-Zhuhai-Macau Bridge; (ii) South Island Line; and (iii) Shatin to Central Link.

Our rental income increased by 12.5% from HK\$143.7 million in FY2014 to HK\$161.7 million in FY2015. Such increase was driven by our Macau operations, which rental income derived from Macau increased from HK\$7.8 million in FY2014 to HK\$34.4 million in FY2015. In line with the progress of the Macau construction projects relating to major casinos, hotels and resorts in FY2015, demand for our construction equipment in Macau increased.

For 1H2016, our rental income amounted to HK\$88.4 million, representing an increase of 12.0% as compared to that of HK\$78.9 million for 1H2015. Such increase was mainly driven by our Macau operations, which rental income derived from Macau increased from HK\$13.2 million to HK\$21.6 million. This was due to the continued progress of the Macau construction projects relating to major casinos, hotels and resorts which led to the increase in demand for our construction equipment.

During the Track Record Period, we were able to increase our rental prices charged to customers for certain construction equipment in both Hong Kong and Macau, which also contributed to the increase in our rental income during the same period.

### *Equipment operating service*

We offer equipment operating services in Hong Kong by sending our skilled equipment operators to operate the equipment at the job sites of the customers. We believe that our equipment operating service complements our rental services and is integral to our value-added services for our customers' different equipment needs. We provide operating services principally for excavators, crawler loaders, vibration rollers, skid loaders, telehandlers, forklifts, mini crawler cranes, lorry cranes and generators.

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During the Track Record Period, our revenue from equipment operating services remained relatively stable, and amounted to HK\$16.4 million, HK\$19.3 million, HK\$16.9 million and HK\$9.8 million, and contributed to 10.3%, 8.9%, 7.4% and 8.1% of our total revenue for FY2013, FY2014, FY2015 and 1H2016.

### *Other services*

In addition to our provision of equipment operating services, our rental arrangements may include repair, maintenance and technical support services during the rental period, which includes servicing for our customers, regular technical support on our rental fleets, onsite technical support and inspection for our rental customers and emergency repairs. We also provide miscellaneous equipment rental related services to our customers, including on-demand technical support and transportation services, equipment assembly, installation and dismantling services. Our revenue from other services amounted to HK\$5.8 million, HK\$8.2 million, HK\$10.8 million and HK\$5.2 million, and contributed to 3.6%, 3.7%, 4.7% and 4.3% of our total revenue in FY2013, FY2014, FY2015 and 1H2016.

### **(ii) Trading**

#### *Sales of machinery and spare parts*

We believe our principal strength is our capability to satisfy customers' different equipment service needs. Hence apart from renting equipment to customers who have equipment rental need for different purposes, we also source new and used equipment and spare parts from different suppliers for on-selling to customers. Revenue from sales of machinery and spare parts amounted to HK\$18.0 million, HK\$46.4 million, HK\$38.5 million and HK\$18.0 million, and contributed to 11.2%, 21.3%, 16.9% and 14.8% of our total revenue in FY2013, FY2014, FY2015 and 1H2016.

Our revenue generated from the sales of machinery and spare parts increased by 158.3% from HK\$18.0 million in FY2013 to HK\$46.4 million in FY2014. As there was market demand for Other Equipment and power and energy equipment, we increased our sales efforts in selling these equipment which resulted in an increase in our trading revenue in FY2014.

#### *Other services*

We also provide transportation services for delivering equipment and spare parts to our customers, and receive a service fee for such services. Revenue from such services was insignificant, which amounted to HK\$0.1 million, HK\$0.4 million, HK\$0.3 million and HK\$68,000 in FY2013, FY2014, FY2015 and 1H2016, respectively.

## FINANCIAL INFORMATION

### Cost of sales

The following table sets out the components of our cost of sales during the Track Record Period.

	For the year ended 31 March						For the six months ended 30 September			
	2013		2014		2015		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Machinery hiring expenses	58,548	55.0	67,113	43.0	65,161	41.0	32,994	42.7	32,169	40.2
Staff costs (Note 1)	20,529	19.3	23,680	15.2	23,900	15.0	12,865	16.6	13,440	16.8
Cost for machinery and parts	13,217	12.4	36,524	23.4	28,542	18.0	12,913	16.7	11,283	14.1
Depreciation	6,475	6.1	14,406	9.2	23,310	14.7	10,369	13.4	13,532	16.9
Cost of spare parts for maintenance	3,651	3.4	6,810	4.4	6,250	3.9	2,971	3.8	3,126	3.9
Shipping & handling	870	0.8	1,915	1.2	2,889	1.8	1,302	1.7	1,495	1.9
Rent	778	0.7	1,788	1.1	3,330	2.1	1,585	2.0	1,836	2.3
Others (Note 2)	2,370	2.2	4,020	2.6	5,522	3.5	2,360	3.1	3,221	4.0
<b>Total</b>	<b>106,438</b>	<b>100.0</b>	<b>156,256</b>	<b>100.0</b>	<b>158,904</b>	<b>100.0</b>	<b>77,359</b>	<b>100.0</b>	<b>80,102</b>	<b>100.0</b>

Note 1: Being staff costs for our equipment operators, technicians and truck drivers

Note 2: Others mainly consist of motor vehicle expenses, insurance costs, inspection fees, fuel and oil expenses and security guard charges.

Our cost of sales amounted to HK\$106.4 million, HK\$156.3 million, HK\$158.9 million and HK\$80.1 million in FY2013, FY2014, FY2015 and 1H2016. Our cost of sales mainly comprised machinery hiring expenses, staff costs for our equipment operators, technicians and truck drivers, costs for machinery and parts for trading and depreciation, which together accounted for 92.8%, 90.8%, 88.7% and 88.0% of our total cost of sales in FY2013, FY2014, FY2015 and 1H2016, respectively.

#### *Machinery hiring expenses*

Machinery hiring expenses represented the fees we paid to our suppliers, which included Kanamoto (our Shareholder and strategic partner) and other third party suppliers for renting equipment. We rent a significant part of our rental fleet from Kanamoto. Hiring expense for equipment we rented from Kanamoto was HK\$55.4 million, HK\$64.3 million, HK\$61.0 million and HK\$30.0 million for FY2013, FY2014, FY2015 and 1H2016, respectively, representing 94.7%, 95.8%, 93.7% and 93.1% of our total machinery hiring expenses for the respective periods. Machinery hiring expenses increased by 14.6% from HK\$58.5 million in FY2013 to HK\$67.1 million in FY2014, which was in line with the increase in our rental income from rented fleet of 7.7% from FY2013 to FY2014. The proportionally larger increase in machinery hiring expenses was mainly attributable to the upward adjustment of the rental price charged by Kanamoto in the second half of FY2013.

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Our machinery hiring expenses decreased slightly from HK\$67.1 million in FY2014 to HK\$65.2 million in FY2015, while our revenue from rented fleet increased in FY2015 as we increased the rental prices charged to our customers for certain construction equipment.

Our machinery hiring expenses remained at a similar level in 1H2015 and 1H2016, amounting to HK\$33.0 million and HK\$32.2 million respectively.

### *Staff costs*

Staff costs for our equipment operators, technicians and truck drivers amounted to HK\$20.5 million, HK\$23.7 million, HK\$23.9 million and HK\$13.4 million in FY2013, FY2014, FY2015 and 1H2016, of which HK\$11.8 million, HK\$13.8 million, HK\$13.2 million and HK\$7.2 million represented staff costs for our equipment operators.

The increase in staff costs of 15.3% from HK\$20.5 million in FY2013 to HK\$23.7 million in FY2014 was mainly due to the increase in staff costs for our equipment operators and technicians. The increase in staff costs for our equipment operators from HK\$11.8 million to HK\$13.8 million was due to the increase in demand for our equipment operators and the increase in overall average wage rates, being in line with the increase in revenue from our provision of equipment operating services in FY2014 (which increased from HK\$16.4 million in FY2013 to HK\$19.3 million in FY2014). The increase in staff costs for our technicians in FY2014 was mainly due to salary increment and increase in bonus.

For FY2014 and FY2015, overall staff costs for our equipment operators, technicians and truck drivers remained stable at HK\$23.7 million and HK\$23.9 million respectively. Staff costs for our equipment operators decreased slightly by 4.3% in FY2015 while revenue from our provision of equipment operating services decreased by a larger proportion of 12.3% from HK\$19.3 million in FY2014 to HK\$16.9 million in FY2015. This was due to the overall increase in average wage rates of our equipment operators. Staff costs for our technicians remained stable in FY2015.

From 1H2015 to 1H2016, staff costs for our equipment operators, technicians and truck drivers increased slightly by 4.5% from HK\$12.9 million in 1H2015 to HK\$13.4 million in 1H2016, which was mainly due to the slight increase in staff costs for our equipment operators (being in line with the slight increase in revenue from the provision of equipment operating services in 1H2016) and for our technicians.

### *Costs for machinery and parts*

Our costs for the purchase of machinery and spare parts for trading amounted to HK\$13.2 million, HK\$36.5 million, HK\$28.5 million and HK\$11.3 million in FY2013, FY2014, FY2015 and 1H2016, respectively, and was generally in line with the sales of our machinery and spare parts.

### *Depreciation*

Depreciation expenses recognised under our cost of sales mainly related to the depreciation expenses for our owned fleet of equipment, and amounted to HK\$6.5 million, HK\$14.4 million, HK\$23.3 million and HK\$13.5 million in FY2013, FY2014, FY2015 and 1H2016, respectively.

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The increase in our depreciation expenses during the Track Record Period was mainly due to new additions of plant and machinery (which amounted to HK\$71.5 million, HK\$65.1 million and HK\$48.9 million in FY2014, FY2015 and 1H2016, respectively), as a result of the expansion of our owned fleet as part of our strategy to optimise the size and composition of our equipment fleet.

### Gross profit and gross profit margin

Our gross profit was HK\$53.3 million, HK\$61.7 million, HK\$69.3 million and HK\$41.3 million, and our gross profit margin was 33.4%, 28.3%, 30.4% and 34.0% for FY2013, FY2014, FY2015 and 1H2016. The following table sets out our gross profit and gross profit margin by segment during the Track Record Period.

	For the year ended 31 March						For the six months ended 30 September			
	2013		2014		2015		2014		2015	
	Gross profit HK\$'000	Gross margin %	Gross profit HK\$'000	Gross margin %	Gross profit HK\$'000	Gross margin %	Gross profit HK\$'000	Gross margin %	Gross profit HK\$'000	Gross margin %
Rental services	49,572	35.0	53,229	31.1	61,439	32.4	30,069	32.1	35,946	34.8
Trading	<u>3,741</u>	20.6	<u>8,464</u>	18.1	<u>7,882</u>	20.3	<u>3,500</u>	20.2	<u>5,389</u>	29.9
Total	<u>53,313</u>	33.4	<u>61,693</u>	28.3	<u>69,321</u>	30.4	<u>33,569</u>	30.3	<u>41,335</u>	34.0

#### (i) Rental services

Set out below are the details of gross profit and gross profit margin of our rental services during the Track Record Period.

	For the year ended 31 March						For the six months ended 30 September			
	2013		2014		2015		2014		2015	
	Gross profit HK\$'000	Gross margin %	Gross profit HK\$'000	Gross margin %	Gross profit HK\$'000	Gross margin %	Gross profit HK\$'000	Gross margin %	Gross profit HK\$'000	Gross margin %
Rental income	45,064	37.7	45,674	31.8	54,274	33.6	26,133	33.1	31,417	35.6
Equipment operating services and other services	<u>4,508</u>	20.3	<u>7,555</u>	27.5	<u>7,165</u>	25.9	<u>3,936</u>	26.7	<u>4,529</u>	30.1
Total	<u>49,572</u>	35.0	<u>53,229</u>	31.1	<u>61,439</u>	32.4	<u>30,069</u>	32.1	<u>35,946</u>	34.8

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### Rental income

Set out below are the details of gross profit and gross profit margin of our rental income segmented by our rented fleet and owned fleet during the Track Record Period.

	For the year ended 31 March									For the six months ended 30 September					
	2013			2014			2015			2014			2015		
	Revenue	Gross profit	Gross margin	Revenue	Gross profit	Gross margin	Revenue	Gross profit	Gross margin	Revenue	Gross profit	Gross margin	Revenue	Gross profit	Gross margin
HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%	
Rented fleet	97,784	31,225	31.9	105,324	29,535	28.0	110,905	34,210	30.8	54,913	15,069	27.4	55,886	17,107	30.6
Owned fleet	<u>21,638</u>	<u>13,839</u>	64.0	<u>38,333</u>	<u>16,139</u>	42.1	<u>50,755</u>	<u>20,064</u>	39.5	<u>23,982</u>	<u>11,064</u>	46.1	<u>32,478</u>	<u>14,310</u>	44.1
Total	<u>119,422</u>	<u>45,064</u>	37.7	<u>143,657</u>	<u>45,674</u>	31.8	<u>161,660</u>	<u>54,274</u>	33.6	<u>78,895</u>	<u>26,133</u>	33.1	<u>88,364</u>	<u>31,417</u>	35.6

#### *Rented fleet*

Our gross profit margin for rented fleet remained stable during the Track Record Period at approximately 30%.

The decrease in margin from 31.9% in FY2013 to 28.0% in FY2014 was mainly attributable to the upward adjustment in rental price charged by Kanamoto in the second half of FY2013. As we were able to pass on our increased costs to our customers by gradually increasing our rental prices charged to customers during FY2015, we were able to improve our gross profit margin for rented fleet in FY2015 and 1H2016 to 30.8% and 30.6% respectively, which are similar to the margin we achieved in FY2013.

#### *Owned fleet*

Our gross profit margin for owned fleet decreased from 64.0% in FY2013 to 42.1% in FY2014, and remained at a similar level in FY2015 and 1H2016, ranging from around 40% to 45%. The higher gross profit margin for our owned fleet in FY2013 was mainly because a relatively large portion of our owned equipment in FY2013 were already fully depreciated, which resulted in low depreciation charges in FY2013.



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### Equipment operating services and other services

Our gross profit margin for the provision of equipment operating services and other services increased from 20.3% in FY2013 to 27.5% in FY2014, and remained stable in FY2015. The lower margin in FY2013 was mainly because we incurred additional expenses for our transportation services.

Our gross profit margin for the provision of equipment operating services was 30.1% in 1H2016, as compared to 26.7% in 1H2015. The increase in margin was mainly attributable to provision of repair services which earned us a relatively higher margin than the other services.

### (ii) Trading

Our gross profit margin for trading remained relatively stable from FY2013 to FY2015, ranging from around 18% to 21%. From 1H2015 to 1H2016, our gross profit margin increased from 20.2% to 29.9%. Such increase was mainly because we were able to charge higher selling prices for our equipment in 1H2016 as a result of more demand for the equipment.

### Other income

The following table shows the breakdown of other income during the Track Record Period.

	<b>For the year ended 31 March</b>			<b>For the six months ended 30 September</b>	
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	6	11	86	46	142
Storage income	660	744	1,101	384	718
Sundry income	<u>421</u>	<u>397</u>	<u>879</u>	<u>498</u>	<u>519</u>
	<u>1,087</u>	<u>1,152</u>	<u>2,066</u>	<u>928</u>	<u>1,379</u>

Storage income represented income we received from Kanamoto, our supplier (who is also our Shareholder and strategic partner), for allowing them to store equipment on our premises. Our sundry income mainly represented commission fee received from Kanamoto for disposing of Kanamoto's equipment on behalf of them.

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### Other gains and losses

The following table shows the breakdown of our other gains and losses during the Track Record Period.

	For the year ended 31 March			For the six months ended 30 September	
	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>
Allowance for doubtful debts (recognised) reversed, net	(1,479)	1,012	(1,775)	(1,576)	(614)
Gain on disposal of owned rental equipment	889	2,477	2,920	1,623	912
Gain on disposal of motor vehicles	—	—	1,261	485	412
Exchange gain (loss), net	<u>144</u>	<u>(317)</u>	<u>219</u>	<u>132</u>	<u>(32)</u>
	<u>(446)</u>	<u>3,172</u>	<u>2,625</u>	<u>664</u>	<u>678</u>

Allowance for doubtful debts represented the net of provisions made and reversed for our doubtful debts. Allowance for doubtful debts are made when there is objective evidence that the recoverability of trade receivables due from customers becomes doubtful.

We sell our used rental equipment from time to time, to satisfy the specific demand of customers, as part of our rental fleet management to adjust the size and composition of our fleet, according to changing market conditions and as part of our ongoing commitment to maintain a well-maintained quality fleet. During the Track Record Period, we realise what we believe to be favourable sales prices for our used equipment and were able to dispose of some of our used equipment above their net book value and recorded gain on disposal of our owned rental equipment of HK\$0.9 million, HK\$2.5 million, HK\$2.9 million and HK\$0.9 million for FY2013, FY2014, FY2015 and 1H2016, respectively.

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### Administrative expenses

The following table sets forth the breakdown of our administrative expenses during the Track Record Period.

	For the year ended 31 March						For the six months ended 30 September			
	2013		2014		2015		2014		2015	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue
Staff costs	4,333	2.7	6,309	2.9	8,920	3.9	3,812	3.4	4,979	4.1
Management fee	1,903	1.2	3,563	1.6	2,870	1.3	1,586	1.4	733	0.6
Travelling and entertainment	1,066	0.7	1,274	0.6	1,536	0.7	634	0.6	713	0.6
Directors' emoluments	—	0.0	—	0.0	1,004	0.4	—	—	1,207	1.0
Staff related expenses	1,045	0.7	866	0.4	985	0.4	259	0.2	250	0.2
System improvement expenses	4	0.0	2,233	1.0	460	0.2	301	0.3	187	0.2
Transportation expenses	619	0.4	660	0.3	1,251	0.5	534	0.5	567	0.5
Depreciation	353	0.2	700	0.3	1,034	0.5	486	0.4	726	0.6
Audit fee	223	0.1	270	0.1	291	0.1	137	0.1	202	0.2
Professional fee <sup>(1)</sup>	57	0.0	303	0.1	207	0.1	51	0.0	424	0.3
Rent	74	0.0	118	0.1	454	0.2	221	0.2	314	0.3
Others <sup>(2)</sup>	1,682	1.1	1,795	0.8	2,415	1.1	1,249	1.1	1,225	1.0
	<u>11,359</u>	<u>7.1</u>	<u>18,091</u>	<u>8.3</u>	<u>21,427</u>	<u>9.4</u>	<u>9,270</u>	<u>8.4</u>	<u>11,527</u>	<u>9.5</u>

Notes:

- (1) Professional fee mainly comprised legal fees, secretarial fees and taxation service fees.
- (2) Others mainly include utility fees, communication and data charges, insurance fees, advertising expenses, bank charges, office decoration fees and sundry expenses.

For FY2013, FY2014, FY2015 and 1H2016, our administrative expenses amounted to HK\$11.4 million, HK\$18.1 million, HK\$21.4 million and HK\$11.5 million, which represented 7.1%, 8.3%, 9.4% and 9.5% of our revenue, respectively. During the Track Record Period, our administrative expenses mainly comprised staff costs for our management, administrative, sales and marketing and procurement staff; management fees paid to related companies (the “**Management Fee**”); travelling and entertainment expenses; and Directors’ emoluments.

Our staff costs for management, administrative, sales and marketing and procurement increased from HK\$4.3 million in FY2013 to HK\$6.3 million in FY2014, which was mainly due to increase in bonus and salary increment in FY2014. Staff costs further increased to HK\$8.9 million in FY2015, mainly due to headcount increase and salary increment in FY2015. From 1H2015 to 1H2016, the increase in staff costs from HK\$3.8 million to HK\$5.0 million was mainly due to headcount increase.

## FINANCIAL INFORMATION

Our Management Fee mainly represented (i) fees for the services of Mr. Lau (amounting to HK\$1.1 million, HK\$1.3 million, HK\$0.9 million and nil for FY2013, FY2014, FY2015 and 1H2016 respectively) and Ms. Chan (amounting to HK\$0.6 million, HK\$0.8 million and HK\$0.6 million and nil for FY2013, FY2014, FY2015 and 1H2016 respectively). Such costs were paid on our behalf by a company wholly-owned by Mr. Lau and Ms. Chan until December 2014 (from January 2015 onwards, the emoluments of Mr. Lau and Ms. Chan were paid by us. Please refer to Note 12 of the Accountants' Report for details); (ii) warehouse management fees; and (iii) license fees for the right to use yard and office.

For FY2014, our administrative expenses also included system improvement expenses of HK\$2.2 million for the upgrade of our operational system.

### **Listing expenses**

In 1H2016, we recognised listing expenses of HK\$7.9 million. For details, please refer to the section headed "Listing Expenses" below.

### **Finance cost**

Finance costs during the Track Record Period comprised interest on our borrowings and finance leases, which amounted to HK\$0.3 million, HK\$0.4 million, HK\$1.1 million and HK\$0.6 million in FY2013, FY2014, FY2015 and 1H2016.

### **Income tax expense**

Our income tax mainly represents provision for current and deferred income tax expenses for Hong Kong and Macau.

Hong Kong Profit Tax is calculated at 16.5% of the estimated assessable profits of the respective group entities for the Track Record Period. Under the applicable Macau laws, rules and regulations, our Macau subsidiary is subject to complimentary income tax of 12%.

During the Track Record Period, there were certain sub-leasing arrangements between members of our Group where AP Rentals leased certain assets to AP Macau. Since the commencement of business of AP Rentals in 2006, AP Rentals and AP Macau have consistently adopted the same pricing bases for their inter-group leasing arrangements. The pricing bases is determined with reference to the major functions contributed by each of AP Rentals and AP Macau. Our management considers the pricing bases to be reasonable and such inter-group leasing arrangements has not been and is not expected to be challenged by the relevant tax authorities. We consider that we have paid all relevant taxes and there is no dispute or material unresolved tax issue with the relevant tax authorities during the Track Record Period.

## FINANCIAL INFORMATION

### Profit and total comprehensive income for the year/period (the “Net Profit”)

We recorded Net Profit of HK\$35.3 million, HK\$40.1 million, HK\$42.9 million and HK\$18.5 million for FY2013, FY2014, FY2015 and 1H2016, respectively, representing a net profit margin of 22.1%, 18.4%, 18.8% and 15.2%, respectively. After adjusting for listing expenses of HK\$7.9 million in 1H2016, our Net Profit and net profit margin for 1H2016 would be HK\$26.4 million (the “Adjusted 1H2016 Profit”) and 21.7%, respectively. The Adjusted 1H2016 Profit represented an increase of 26.1% over the Net Profit of HK\$20.9 million for 1H2015.

### PERIOD TO PERIOD COMPARISON OF RESULTS OF OUR OPERATION

#### 1H2016 compared to 1H2015

##### *Revenue*

For 1H2016, our revenue amounted to HK\$121.4 million, which represented an increase of HK\$10.5 million or 9.5% as compared to that of 1H2015 of HK\$110.9 million. Such increase was mainly due to the increase in revenue from our rental services of HK\$9.8 million.

The increase in revenue from our rental services in 1H2016 was mainly driven by our rental services business in Macau, which rental income from Macau increased from HK\$13.2 million in 1H2015 to HK\$21.6 million in 1H2016. This was due to the continued progress of the Macau construction projects relating to major casinos, hotels and resorts in 1H2016, which led to the increase in demand for our construction equipment. During the period, we were also able to increase our rental prices charged to customers for certain construction equipment, which also contributed to the increase in our rental income.

Our revenue from trading business in 1H2016 amounted to HK\$18.0 million, which is similar to the amount of HK\$17.3 million generated in 1H2015.

##### *Cost of sales*

Our cost of sales amounted to HK\$80.1 million for 1H2016, representing an increase of HK\$2.7 million or 3.5% as compared to that of 1H2015 of HK\$77.4 million, which was in line with the growth in our revenue in 1H2016.

##### *Gross profit and gross profit margin*

For 1H2016, our gross profit amounted to HK\$41.3 million, representing an increase of HK\$7.8 million or 23.1% as compared to that of 1H2015 of HK\$33.6 million, and our gross profit margin was 34.0%, representing an increase of 3.7 percentage points as compared to that of 1H2015 of 30.3%. The increase was mainly due to the improvement in margin for our rented fleet, which was mainly attributable to the increase in our rental prices charged to customers for certain construction equipment. The increase in margin in 1H2016 was also contributed by the improvement in margin for trading, which was mainly because we were able to charge higher selling prices for our equipment in 1H2016 as a result of more demand for the equipment.

## FINANCIAL INFORMATION

### *Other income*

Our other income increased by HK\$0.5 million from HK\$0.9 million in 1H2015 to HK\$1.4 million in 1H2016. Such increase was mainly due to the increase in storage income received from Kanamoto of HK\$0.3 million.

### *Other gains and losses*

Our other gains and losses remained stable in 1H2016 as compared to 1H2015, amounting to HK\$0.7 million in both respective periods.

### *Administrative expenses*

For 1H2016, our administrative expenses amounted to HK\$11.5 million, representing an increase of HK\$2.3 million or 24.3% as compared to that of 1H2015 of HK\$9.3 million. Such increase was mainly attributable to the increase in our management, administrative, sales and marketing and procurement staff costs, mainly due to headcount increase.

### *Listing expenses*

In 1H2016, we recognised listing expenses of HK\$7.9 million. For details, please refer to the section headed "Listing Expenses" below.

### *Finance costs*

Our finance costs remained stable in 1H2015 and 1H2016, amounting to HK\$0.5 million and HK\$0.6 million respectively.

### *Income tax expense*

For 1H2016, our income tax expense amounted to HK\$4.9 million, representing an increase of 9.0% as compared to that of HK\$4.5 million in 1H2015. Our effective tax rate increased from 17.7% in 1H2015 to 20.9% in 1H2016, which was mainly due to the tax effect of expenses not deductible for tax purpose.

### *Net Profit*

Net Profit amounted to HK\$18.5 million in 1H2016, representing a decrease of 11.6% as compared to Net Profit of HK\$20.9 million in 1H2015. Our net profit margin decreased from 18.9% in 1H2015 to 15.2% in 1H2016. Based on the Adjusted 1H2016 Profit of HK\$26.4 million, our net profit margin in 1H2016 would be 21.7%. The increase in net profit margin in 1H2016 (after adjusting for listing expenses) was mainly due to the increase in gross profit margin as explained above.

## FINANCIAL INFORMATION

### **FY2015 compared to FY2014**

#### *Revenue*

For FY2015, our revenue amounted to HK\$228.2 million, which represented an increase of HK\$10.3 million or 4.7% as compared to that of FY2014 of HK\$217.9 million. Such increase was a result of the net effect of increase in revenue from our rental services of HK\$18.2 million and decrease in revenue from our trading business of HK\$8.0 million.

The increase in revenue from our rental services in FY2015 was mainly driven by our rental services business in Macau, which rental income from Macau increased from HK\$7.8 million in FY2014 to HK\$34.4 million in FY2015. This was a result of higher demand for our equipment from the construction projects relating to major casinos, hotels and resorts in FY2015. During the period, we were also able to increase our rental prices charged to customers for certain construction equipment, which also contributed to the increase in our rental income.

Trading revenue decreased from HK\$46.8 million in FY2014 to HK\$38.9 million in FY2015 mainly because we sold more Other Equipment in FY2014.

#### *Cost of sales*

Our cost of sales remained at a similar level in FY2014 and FY2015, amounting to HK\$156.3 million and HK\$158.9 million respectively.

#### *Gross profit and gross profit margin*

For FY2015, our gross profit amounted to HK\$69.3 million, representing an increase of HK\$7.6 million or 12.4% as compared to that of FY2014 of HK\$61.7 million. Our gross profit margin in FY2015 was 30.4%, representing an increase of 2.1 percentage points as compared to that of FY2014 of 28.3%. The increase in margin was mainly due to the improvement in margin for our rented fleet, which was mainly because we were able to raise our rental prices charged to customers for certain construction equipment.

#### *Other income*

The increase in other income of HK\$0.9 million from HK\$1.2 million in FY2014 to HK\$2.1 million in FY2015 was mainly due to the increase in storage income and selling commission received from Kanamoto for disposing of their equipment.

#### *Other gains and losses*

The decrease in other gains and losses of HK\$0.6 million from HK\$3.2 million in FY2014 to HK\$2.6 million in FY2015 was mainly due to the net effect of (i) net provision for doubtful debts made in FY2015 amounting to HK\$1.8 million (as compared to net reversal of provision for doubtful debts in FY2014 amounting to HK\$1.0 million); and (ii) the increase in gain on disposal of owned rental equipment and motor vehicles of HK\$1.7 million in total.

## FINANCIAL INFORMATION

### *Administrative expenses*

For FY2015, our administrative expenses amounted to HK\$21.4 million, representing an increase of HK\$3.3 million or 18.4% as compared to that of FY2014 of HK\$18.1 million. The increase in administrative expenses in FY2015 was mainly due to the increase in our management, administrative, sales and marketing and procurement staff costs mainly as a result of headcount increase and salary increment.

### *Finance costs*

Our finance costs increased from HK\$0.4 million in FY2014 to HK\$1.1 million in FY2015. Such increase was mainly due to the increase in borrowings in FY2015 which resulted in more interest costs charged.

### *Income tax expense*

For FY2015, our income tax expense amounted to HK\$8.5 million, representing an increase of 15.3% as compared to that of FY2014 of HK\$7.4 million. Our effective tax rate increased from 15.6% in FY2014 to 16.6% in FY2015, which was mainly due to tax effect of expenses not deductible for tax purpose and underprovision of Macau income tax in prior years, which amounted to HK\$485,085. We considered that such underprovision of Macau income tax relating to FY2014 was insignificant as compared to our profit before tax of HK\$47.5 million recorded in FY2014, and made the corresponding provision and reported to the Macau tax authority in FY2015. The penalty to be imposed for late reporting is solely at the discretion of the Macau tax authority on a case-by-case basis and the maximum penalty exposure in accordance with the prevailing tax rules is approximately MOP0.2 million. In FY2015, we also recorded income tax refund of HK\$1.5 million. Such refund was due to the amount of provisional Hong Kong Profit Tax which we paid for FY2014 (which was based on the assessment of Hong Kong Inland Revenue Department on our taxable profits for FY2013), being higher than the actual Hong Kong Profit Tax chargeable for FY2014.

### *Net Profit*

Net Profit amounted to HK\$42.9 million in FY2015, representing an increase of 7.0% as compared to Net Profit of HK\$40.1 million in FY2014. Our net profit margin increased from 18.4% in FY2014 to 18.8% in FY2015, mainly due to increase in our gross profit margin as explained above.



## FINANCIAL INFORMATION

### **FY2014 compared to FY2013**

#### *Revenue*

For FY2014, our revenue amounted to HK\$217.9 million, which represented an increase of HK\$58.2 million or 36.4% as compared to that of FY2013 of HK\$159.8 million, of which HK\$29.5 million and HK\$28.7 million of the increase was contributed by the increase in income from rental services and from trading, respectively.

The increase in revenue from our rental services in FY2014 was mainly attributable to the increase in demand for our construction equipment for infrastructure projects in Hong Kong, mainly (i) Hong Kong-Zhuhai-Macau Bridge; (ii) South Island Line; and (iii) Shatin to Central Link.

Revenue from trading increased from HK\$18.1 million in FY2013 to HK\$46.8 million in FY2014. As there was market demand for Other Equipment and power and energy equipment during FY2014 given the equipment needs from the infrastructure projects in Hong Kong, we increased our sales efforts in selling these equipment which resulted in an increase in our trading revenue in FY2014.

#### *Cost of sales*

For FY2014, our cost of sales amounted to HK\$156.3 million, representing an increase of HK\$49.8 million or 46.8% as compared to that of FY2013 of HK\$106.4 million. Such increase was mainly attributable to (i) the increase in cost for purchasing machinery and parts of HK\$23.3 million for our trading business; (ii) the increase in machinery hiring expenses of HK\$8.6 million, mainly due to the upward adjustment in rental price charged by Kanamoto in the second half of FY2013; (iii) the increase in depreciation expenses of HK\$7.9 million due to the new additions of plant and machinery in FY2014 as a result of the expansion of our owned rental fleet; and (iv) the increase in staff costs for our equipment operators, technicians and truck drivers of HK\$3.2 million, in support for our equipment operating services.

#### *Gross profit and gross profit margin*

For FY2014, our gross profit amounted to HK\$61.7 million, representing an increase of HK\$8.4 million or 15.7% as compared to that of FY2013 of HK\$53.3 million, and our gross profit margin decreased from 33.4% in FY2013 to 28.3% in FY2014, representing a decrease of 5.1 percentage points. The decrease in gross profit margin in FY2014 was mainly due to (i) the decrease in margin for our rental income by 5.9 percentage points from 37.7% to 31.8% mainly as a result of the upward adjustment of rental price charged by Kanamoto in the second half of FY2013; and (ii) the decrease in margin for our owned fleet in FY2014, mainly as a result of higher depreciation charge in FY2014 due to new additions of our owned rental fleet.

#### *Other income*

Our other income remained stable in FY2013 and FY2014, amounting to HK\$1.1 million and HK\$1.2 million respectively.

## FINANCIAL INFORMATION

### *Other gains and losses*

Other gains and losses amounted to HK\$3.2 million in FY2014, representing an increase of HK\$3.6 million compared to loss of HK\$0.4 million in FY2013. Such increase was mainly due to the net reversal of provision for doubtful debts made in FY2014 amounting to HK\$1.0 million (as compared to net provision for doubtful debts made in FY2013 amounting to HK\$1.5 million) and the increase in gain on disposal of owned rental equipment of HK\$1.6 million in FY2014.

### *Administrative expenses*

For FY2014, our administrative expenses amounted to HK\$18.1 million, representing an increase of HK\$6.7 million or 59.3% as compared to that of FY2013 of HK\$11.4 million. Such increase was mainly due to (i) system improvement expenses of HK\$2.2 million in FY2014 for the upgrade of our operational system; (ii) increase in our management, administrative, sales and marketing and procurement staff costs of HK\$2.0 million mainly as a result of increase in bonus and salary increment; and (iii) increase in Management Fee of HK\$1.7 million mainly for license for the right to use yard and office and warehouse management services.

### *Finance costs*

Our finance costs increased from HK\$0.3 million in FY2013 to HK\$0.4 million in FY2014. Such increase was due to the increase in borrowings which resulted in more interest costs charged.

### *Income tax expense*

For FY2014, our income tax expense amounted to HK\$7.4 million, representing an increase of 6.4% as compared to that of FY2013 of HK\$7.0 million. Our effective tax rate was 16.5% and 15.6% in FY2013 and FY2014, respectively. The increase in our deferred taxation of HK\$3.7 million in FY2014 was mainly due to large amounts of initial depreciation allowance which we were able to claim for our plant and machinery acquired during the year (our additions of plant and machinery amounted to HK\$71.5 million in FY2014). Accordingly, our current income tax decreased in FY2014.

### *Net Profit*

As a result of the above, our Net Profit amounted to HK\$40.1 million in FY2014, representing an increase of 13.7% as compared to Net Profit of HK\$35.3 million in FY2013. Our net profit margin decreased from 22.1% in FY2013 to 18.4% in FY2014, mainly due to the decrease in our gross profit margin as explained above.

## **LIQUIDITY AND CAPITAL STRUCTURE**

We have historically financed our operations (which included funding required for working capital and acquisition of property, plant and equipment and other liquidity requirements) through a combination of cash flow from operations, borrowings and finance leases. We expect to fund our future operations and expansion plans principally with cash generated from our operations, borrowings and the net proceeds from the Global Offering.

## FINANCIAL INFORMATION

### Cash flows

The table below sets out the changes in cash flow of our Group during the Track Record Period.

	<b>For the year ended 31 March</b>			<b>For the six months ended 30 September</b>	
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities	42,948	71,823	63,345	25,407	34,649
Net cash used in investing activities	(42,133)	(79,181)	(55,576)	(35,913)	(45,931)
Net cash from (used in) financing activities	<u>1,622</u>	<u>12,551</u>	<u>7,034</u>	<u>2,602</u>	<u>(2,738)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,437</b>	<b>5,194</b>	<b>14,803</b>	<b>(7,904)</b>	<b>(14,020)</b>
Cash and cash equivalents at beginning of the year/period	<u>5,457</u>	<u>7,894</u>	<u>13,087</u>	<u>13,087</u>	<u>27,890</u>
Cash and cash equivalents at end of the year/period	<u><u>7,894</u></u>	<u><u>13,087</u></u>	<u><u>27,890</u></u>	<u><u>5,183</u></u>	<u><u>13,870</u></u>

During the Track Record Period, we continued to generate positive net cash flow from our operating activities. To support our rental business, we had been purchasing more equipment during the Track Record Period to expand our owned rental fleet. As such, we had net cash outflow from our investing activities.

### Net cash generated from operating activities

Throughout the Track Record Period, we generated positive net cash flow from our operating activities. We derive our cash generated from operating activities principally from receipt of payments from our rental services and trading of equipment and spare parts. Our cash outflow from operating activities principally arose from machinery hiring expenses and other expenses relating to our operating activities.

Our net cash inflow from operating activities was HK\$42.9 million, HK\$71.8 million and HK\$63.3 million for FY2013, FY2014 and FY2015, respectively. For 1H2016, our net cash inflow from operating activities amounted to HK\$34.6 million. Our strong net cash inflow from operating activities was largely attributable to the growth in our business during the Track Record Period.

## FINANCIAL INFORMATION

### **Net cash used in investing activities**

During the Track Record Period, cash used in our investing activities principally arose from the purchase of equipment fleet for our rental business.

For 1H2016, we had net cash outflow from investing activities of HK\$45.9 million, which mainly arose from the purchase of property, plant and equipment of HK\$54.8 million and bonds of HK\$5.0 million, net off with proceeds from disposal of property, plant and equipment of HK\$13.7 million.

For FY2015, we had net cash outflow from investing activities of HK\$55.6 million, which mainly arose from the purchase of plant, property and equipment of HK\$69.5 million, net off with proceeds from disposal of property, plant and equipment of HK\$13.6 million.

For FY2014, we had net cash outflow from investing activities of HK\$79.2 million, which mainly arose from the purchase of plant, property and equipment of HK\$72.7 million, net off with proceeds from disposal of property, plant and equipment of HK\$6.9 million.

For FY2013, we had net cash outflow from investing activities of HK\$42.1 million, which mainly arose from the purchase of plant, property and equipment of HK\$33.9 million, net off with proceeds from disposal of property, plant and equipment of HK\$3.1 million.

### **Net cash generated from financing activities**

During the Track Record Period, the cash inflow generated from our financing activities was mainly derived from new borrowings, whereas the cash outflow used in our financing activities was mainly for repayment of borrowings and obligations under finance leases.

For 1H2016, we had net cash used in financing activities of HK\$2.7 million, which mainly resulted from the net effect of the proceeds from new borrowings of HK\$5.0 million and repayment of borrowings of HK\$6.5 million.

For FY2015, we had net cash inflow generated from financing activities of HK\$7.0 million, which mainly resulted from the net effect of the proceeds from new borrowings of HK\$20.1 million and repayment of borrowings of HK\$8.5 million and repayment of obligations under finance leases of HK\$2.4 million.

For FY2014, we had net cash inflow generated from financing activities of HK\$12.6 million, which mainly resulted from the net effect of the proceeds from new borrowings of HK\$18.2 million and repayment of borrowings of HK\$3.9 million and repayment of obligation under finance leases of HK\$1.3 million.

For FY2013, we had net cash inflow generated from financing activities of HK\$1.6 million, which mainly resulted from the net effect of the proceeds from new borrowings of HK\$3.3 million and repayment of borrowings of HK\$0.3 million and repayment of obligation under finance leases of HK\$1.1 million.

## FINANCIAL INFORMATION

### Capital expenditures

Our capital expenditures during the Track Record Period, primarily comprised expenditures on plant and machinery, leasehold improvements and motor vehicles. The following table sets forth our capital expenditures by nature during the Track Record Period.

	For the year ended 31 March			For the six months ended 30 September
	2013	2014	2015	2015
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Purchase of owned equipment	29.3	71.5	65.1	48.9
Additions to leasehold improvements	2.3	0.0	1.1	1.1
Purchase of motor vehicles	2.6	2.1	2.9	1.6
Purchase of office equipment, furniture and fixtures and tools	0.1	0.6	0.3	0.9
	34.3	74.2	69.4	52.5

The table below sets forth the details of our planned capital expenditure to be incurred for each of our financial years ending 31 March 2016 (“FY2016”) and 31 March 2017 (“FY2017”).

Description	FY2016	FY2017
	<i>HK\$ million</i>	<i>HK\$ million</i>
Purchase of owned equipment	76.9	51.7
Additions to leasehold improvement	1.2	3.0
Purchase of motor vehicles	2.1	—
Purchase of office equipment, computer, furniture and fixtures and tools	1.9	—
Purchase of GPS equipment monitoring system	—	7.3
Total	82.1	62.0

We plan to finance our future capital expenditures through the net proceeds from the Global Offering, borrowings and cash flow generated from our business operations. Our Group's projected capital expenditures are subject to revision based upon any future changes in our business plan, market conditions, and economic and regulatory environment.

## FINANCIAL INFORMATION

### Current assets and current liabilities

The table below sets forth our current assets and current liabilities as at the dates indicated.

	As at 31 March			As at 30 September	As at 31 January
	2013	2014	2015	2015	2016
	HK\$	HK\$	HK\$	HK\$	HK\$
					(unaudited)
<b>Current assets</b>					
Inventories	2,421,989	4,187,420	12,461,208	9,909,939	12,833,003
Trade receivables, deposits and prepayments	45,667,006	57,218,994	56,927,735	65,197,668	70,332,277
Amounts due from related companies	2,689,849	—	—	—	—
Investments in bonds	—	356,236	—	3,769,782	—
Prepaid tax	—	1,129,606	—	—	—
Bank balances and cash	<u>7,893,937</u>	<u>13,087,467</u>	<u>27,890,199</u>	<u>13,993,293</u>	<u>50,843,998</u>
	58,672,781	75,979,723	97,279,142	92,870,682	134,009,278
<b>Current liabilities</b>					
Trade and other payables	34,864,053	53,247,970	53,790,030	57,209,757	49,311,003
Amounts due to related companies	12,648	—	—	224,351	—
Amount due to a shareholder	—	6,168,968	21,730,112	21,379,892	16,705,307
Dividend payable	151,604	—	—	—	11,000,000
Tax liabilities	1,704,092	—	4,707,925	9,185,434	9,572,682
Obligations under finance leases — due within one year	965,624	1,329,671	478,194	350,903	291,320
Borrowings — due within one year	2,308,988	15,775,644	28,142,300	27,187,713	78,815,494
Bank overdraft	<u>—</u>	<u>—</u>	<u>—</u>	<u>123,542</u>	<u>—</u>
	<u>40,007,009</u>	<u>76,522,253</u>	<u>108,848,561</u>	<u>115,661,592</u>	<u>165,695,806</u>
<b>Net current assets (liabilities)</b>	<u>18,665,772</u>	<u>(542,530)</u>	<u>(11,569,419)</u>	<u>(22,790,910)</u>	<u>(31,686,528)</u>

## FINANCIAL INFORMATION

During the Track Record Period, we had been purchasing more equipment to expand our owned rental fleet. For each of FY2013, FY2014, FY2015 and 1H2016, our purchases of equipment for expansion of our rental fleet amounted to HK\$29.3 million, HK\$71.5 million, HK\$65.1 million and HK\$48.9 million respectively. Such purchases were mainly financed by current assets and current liabilities including cash, borrowings and finance leases. As the equipment purchased is classified as non-current assets, the purchase of equipment for rental purpose results in decrease in our net current assets position or increase in our net liabilities position as the case may be.

As at 31 March 2013, we had net current assets of HK\$18.7 million. Our current assets mainly comprised trade receivables, deposits and prepayments of HK\$45.7 million (representing 77.8% of our current assets) and our current liabilities mainly comprised trade and other payables of HK\$34.9 million (representing 87.1% of our current liabilities) which mainly included trade payables and accrued expenses.

As at 31 March 2014, we had net current liabilities of HK\$0.5 million. Our current assets mainly comprised (i) trade receivables, deposits, and prepayments of HK\$57.2 million (representing 75.3% of our current assets); and (ii) bank balances and cash of HK\$13.1 million (representing 17.2% of our current assets). Our current liabilities mainly comprised (i) trade and other payables of HK\$53.2 million (representing 69.6% of our current liabilities) which mainly included trade payables and accrued expenses; and (ii) borrowings of HK\$15.8 million (representing 20.6% of our current liabilities). We significantly increased our borrowings classified as current liabilities from HK\$2.3 million as at 31 March 2013 to HK\$15.8 million as at 31 March 2014 due to purchase of equipment for expansion of our rental fleet. We also recorded amount due to a shareholder of HK\$6.2 million as a result of interim dividend payable to such shareholder.

As at 31 March 2015, we had net current liabilities of HK\$11.6 million. Our current assets mainly comprised (i) trade receivables, deposits, and prepayments of HK\$56.9 million (representing 58.5% of our current assets); and (ii) bank balances and cash of HK\$27.9 million (representing 28.7% of our current assets). Our current liabilities mainly comprised (i) trade and other payables of HK\$53.8 million (representing 49.4% of our current liabilities) which mainly included trade payables and accrued expenses; and (ii) borrowings of HK\$28.1 million (representing 25.9% of our current liabilities). During FY2014, we continued to increase our borrowings classified as current liabilities from HK\$15.8 million as at 31 March 2014 to HK\$28.1 million as at 31 March 2015 due to purchase of equipment for expansion of our rental fleet. During FY2015, we declared dividend of HK\$20 million. Therefore, our amount due to a shareholder also increased from HK\$6.2 million as at 31 March 2014 to HK\$21.7 million as at 31 March 2015.

As at 30 September 2015, our net current liabilities further increased to HK\$22.8 million. Our current assets mainly comprised (i) trade receivables, deposits, and prepayments of HK\$65.2 million (representing 70.2% of our current assets); and (ii) bank balances and cash of HK\$14.0 million (representing 15.1% of our current assets). Our current liabilities mainly comprised (i) trade and other payables of HK\$57.2 million (representing 49.5% of our current liabilities) which mainly included trade payables, accrued expenses and other payables; and (ii) borrowings of HK\$27.2 million (representing 23.5% of our current liabilities). The increase in net



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current liabilities as compared to 31 March 2015 was mainly attributable to the decrease of HK\$13.9 million in our bank balances and cash as a result of payment for purchase of equipment for expansion of our rental fleet.

As at 31 January 2016, despite the growth in current assets as compared to that of 30 September 2015, our net current liabilities further increased to HK\$31.7 million. Our current assets mainly comprised of (i) trade receivables, deposits, and prepayments of HK\$70.3 million (representing 52.5% of our current assets); and (ii) bank balances and cash of HK\$50.8 million (representing 37.9% of our current assets). Our current liabilities mainly comprised of (i) trade and other payables of HK\$49.3 million (representing 29.8% of our current liabilities) which included trade payables, accrued expenses, deposits received, and other payables (being professional fees, insurance fees, service fees and others); and (ii) borrowings of HK\$78.8 million (representing 47.6% of our current liabilities). The increase in net current liabilities was mainly attributable to the increase in our borrowings to finance the purchase of equipment for expansion of our rental fleet.

Even though our Group had net current liabilities as at 31 March 2014 and 2015 and 30 September 2015, our Directors, having reviewed our cash flow projections, are of the view that we can meet the working capital requirements for at least the next 12 months from the date of this prospectus for the reasons below; and the Sole Sponsor concurs with our Directors' view on such basis.

Included in net current liabilities were borrowings ("**Adjusted Borrowings**") of HK\$10.7 million, HK\$16.1 million, HK\$11.3 million, HK\$36.9 million due for repayment after 1 year but within 5 years which contain repayable on demand clause as at 31 March 2014 and 2015, 30 September 2015 and 31 January 2016 respectively. A large portion of the borrowings as aforementioned were used for financing the purchases of our rental fleet which is classified as non-current assets as plant and machinery. The net book value of our total property, plant and equipment amounted to approximately HK\$102.0 million, HK\$137.6 million, HK\$163.5 million and HK\$169.6 million as at 31 March 2014 and 2015, 30 September 2015 and 31 January 2016 respectively.

In preparing the consolidated financial information, our Directors have taken into account all information that could reasonably be expected to be available, and consider that the relevant banks will not exercise their discretion to demand immediate repayment but allow such borrowings to be repaid in accordance with the scheduled dates set out in the relevant agreements.

If the Adjusted Borrowings are excluded from current liabilities as our Directors do not expect them to be required to be repaid within 12 months, we would have adjusted net current assets of HK\$10.2 million and HK\$4.5 million as at 31 March 2014 and 31 March 2015 respectively. Although we would still have adjusted net current liabilities of HK\$11.5 million as at 30 September 2015, we had adjusted net current assets of HK\$5.2 million as at 31 January 2016. This is mainly because we are able to generate positive cash flow from our operations. We have been and will continue to be prudent in monitoring our working capital. Our Directors consider our Group has sufficient financial resources in the coming twelve months to meet our financial obligations as and when they fall due.



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As mentioned above, we have historically financed our operations through a combination of cash flow from operations, borrowings and finance leases and expect to fund our future operations and expansion plans principally with cash generated from our operations, borrowings and the net proceeds from the Global Offering.

### DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

	<b>As at 31 March</b>			<b>As at 30 September</b>
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2015</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
<b>Non-current assets</b>				
Property, plant and equipment	47,248,827	101,979,016	137,634,471	163,469,367
Deposit placed for a life insurance policy	—	2,359,539	2,437,504	2,472,185
Investments in bonds	356,236	—	—	1,213,033
Deposits for purchase of property, plant and equipment	—	—	120,587	2,406,602
	<u>47,605,063</u>	<u>104,338,555</u>	<u>140,192,562</u>	<u>169,561,187</u>
<b>Current assets</b>				
Inventories	2,421,989	4,187,420	12,461,208	9,909,939
Trade receivables, deposits and prepayments	45,667,006	57,218,994	56,927,735	65,197,668
Amounts due from related companies	2,689,849	—	—	—
Investments in bonds	—	356,236	—	3,769,782
Prepaid tax	—	1,129,606	—	—
Bank balances and cash	7,893,937	13,087,467	27,890,199	13,993,293
	<u>58,672,781</u>	<u>75,979,723</u>	<u>97,279,142</u>	<u>92,870,682</u>
<b>Current liabilities</b>				
Trade and other payables	34,864,053	53,247,970	53,790,030	57,209,757
Amounts due to related companies	12,648	—	—	224,351
Amount due to a shareholder	—	6,168,968	21,730,112	21,379,892
Dividend payable	151,604	—	—	—
Tax liabilities	1,704,092	—	4,707,925	9,185,434
Obligations under finance leases				
— due within one year	965,624	1,329,671	478,194	350,903
Borrowings — due within one year	2,308,988	15,775,644	28,142,300	27,187,713
Bank overdraft	—	—	—	123,542
	<u>40,007,009</u>	<u>76,522,253</u>	<u>108,848,561</u>	<u>115,661,592</u>

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	As at 31 March			As at 30
	2013	2014	2015	September
	HK\$	HK\$	HK\$	HK\$
<b>Non-current liabilities</b>				
Deferred tax liabilities	5,550,664	12,586,153	16,843,772	17,215,606
Obligations under finance leases				
— due after one year	2,097,967	1,931,215	342,209	179,183
Borrowings — due after one year	<u>836,437</u>	<u>1,634,466</u>	<u>868,171</u>	<u>305,564</u>
	<u>8,485,068</u>	<u>16,151,834</u>	<u>18,054,152</u>	<u>17,700,353</u>
<b>Capital and reserves</b>				
Issued capital	27,378,000	27,378,000	27,378,000	27,378
Reserves	<u>30,407,767</u>	<u>60,266,191</u>	<u>83,190,991</u>	<u>129,042,546</u>
Total Equity	<u>57,785,767</u>	<u>87,644,191</u>	<u>110,568,991</u>	<u>129,069,924</u>

### Property, plant and equipment

Our property, plant and equipment mainly comprise of plant and machinery for our rental services, the aggregate net book value of which accounted for 80.4%, 91.0%, 93.5% and 93.4% of the total net book value of our property, plant and equipment as at 31 March 2013, 2014 and 2015 and 30 September 2015 respectively. As at 30 September 2015, the aggregate net book value of our owned rental fleet amounted to HK\$152.7 million, among which HK\$1.65 million is attributable to equipment that we acquired for more than 5 years. All of our owned rental equipment were well maintained and available for rental from our customers. In assessing whether impairment was necessary for the net book value of our owned rental fleet, we have taken into account: (i) the expected demand from customers; (ii) the disposal value; and (iii) expected rental income of the equipment. No impairment had been made on the net book value of our owned rental fleet during the Track Record Period.

### Investments in bonds

Our investment in bonds amounted to an aggregate of HK\$0.4 million, HK\$0.4 million and HK\$5.0 million as at 31 March 2013, 31 March 2014 and 30 September 2015 respectively. As at 31 March 2013, 31 March 2014 and 30 September 2015, our Group's held-to-maturity investments represent bonds that carry fixed interest at 2.30% on semi-annual basis, at 2.30% on semi-annual basis, and ranging from 3.35% to 6.875% on semi-annual basis respectively. None of these assets has been past due or impaired at relevant balance sheet dates.

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### Inventories

The table below sets out the breakdown of our inventories as at the relevant balance sheet dates indicated.

<b>Inventories</b>	<b>As at 31 March</b>			<b>As at 30 September</b>
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2015</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Machinery	1,025,810	1,276,475	9,251,567	6,233,906
Spare parts	<u>1,396,179</u>	<u>2,910,945</u>	<u>3,209,641</u>	<u>3,676,033</u>
	<u><u>2,421,989</u></u>	<u><u>4,187,420</u></u>	<u><u>12,461,208</u></u>	<u><u>9,909,939</u></u>

The table below sets out our average inventory turnover days for the years/period indicated.

	<b>Year ended 31 March</b>			<b>Six months ended 30 September</b>
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2015</b>
	<i>days</i>	<i>days</i>	<i>days</i>	<i>days</i>
Average inventory turnover days ( <i>Note</i> )	67	33	106	181

*Note:* Average inventory turnover days is calculated as the average of the beginning and ending inventory balances for the year/period, divided by the cost for machinery and parts included in cost of sales for that year/period, multiplied by 365 days for FY2013, FY2014 and FY2015, and by 183 days for 1H2016.

During the Track Record Period, the amount of our inventories substantially increased to support the growth of our trading business. As at 31 March 2013, 31 March 2014, 31 March 2015 and 30 September 2015, our inventories amounted to HK\$2.4 million, HK\$4.2 million, HK\$12.5 million and HK\$9.9 million. Our inventories are stated at the lower of cost and net realisable value. At the end of each financial year/period during the Track Record Period, we assessed whether any inventory provision was necessary at the end of each financial year/period by considering various factors including the age of our inventory, expected demand from customers, and the expected selling price which is estimated based on sales orders on hand and market information available in public domain. After performing the aforesaid assessment, no inventory provision was made during the Track Record Period. During the Track Record Period, we have reclassified some of the inventories as owned rental fleet to satisfy the demand from our rental business. Inventories reclassified amounted to HK\$0.7 million, nil, HK\$1.0 million and HK\$1.8 million, representing 27.9%, nil, 8.3%, and 17.9%, respectively, of the total amount of inventories as at 31 March 2013, 31 March 2014, 31 March 2015, and 30 September 2015.

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As at 31 March 2013, 31 March 2014, 31 March 2015 and 30 September 2015, our average inventory turnover days were 67 days, 33 days, 106 days and 181 days respectively.

Our inventories are equipment and spare parts purchased for our trading business. Our inventory level as at the relevant balance sheet dates represented our expectation on the upcoming demand for certain types of equipment. Our inventory amounts and turnover days substantially increased after FY2014 due to the increase in our inventory of spider cranes. We commenced purchasing a considerable amount of spider cranes in FY2015 and the market demand of which has only started to develop recently. To promote the usage of spider cranes, we obtained the authorisation from the Labour Department of the Hong Kong Government in December 2014 to offer training and issue certificates to persons to operate spider cranes. We believe the spider cranes would attract high demand in near future when the number of trained operators increases and the market awareness grows.

Up to the Latest Practicable Date, HK\$3.0 million (or 30.5%) of our inventories as at 30 September 2015 had either been utilised, sold or reclassified as owned rental fleet to satisfy demand from our rental business.

### Trade receivables, deposits and prepayments

The table below sets out the breakdown of our trade receivables, prepayments and deposits:

	<b>As at 31 March</b>			<b>As at 30</b>
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>September</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Trade receivables	45,242,743	56,564,586	56,704,241	66,396,823
Less: Allowance for doubtful debts	<u>(2,310,322)</u>	<u>(1,298,338)</u>	<u>(3,073,618)</u>	<u>(3,687,050)</u>
	42,932,421	55,266,248	53,630,623	62,709,773
Deposits and prepayments	<u>2,734,585</u>	<u>1,952,746</u>	<u>3,297,112</u>	<u>2,487,895</u>
	<u><u>45,667,006</u></u>	<u><u>57,218,994</u></u>	<u><u>56,927,735</u></u>	<u><u>65,197,668</u></u>

Our trade receivables represents receivables from our customers for our rental and trading services. Deposits and prepayments represent prepayments for insurance and advance payment for purchase of equipment from suppliers. During the Track Record Period, our trade receivable generally increased in line with our revenue growth.

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The table below sets out the aging analysis of our trade receivables (net of allowance for doubtful debts) as at the relevant balance sheet dates indicated.

	<b>As at 31 March</b>			<b>As at 30 September</b>
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2015</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Within 30 days	10,565,670	10,964,625	14,536,172	20,124,814
31 to 60 days	15,947,114	26,152,385	21,864,410	12,563,572
61 to 90 days	7,368,712	8,594,993	7,233,428	9,986,142
91 to 180 days	7,776,060	6,217,865	1,689,629	13,216,297
Over 180 days	<u>1,274,865</u>	<u>3,336,380</u>	<u>8,306,984</u>	<u>6,818,948</u>
	<u>42,932,421</u>	<u>55,266,248</u>	<u>53,630,623</u>	<u>62,709,773</u>

The table below sets out our average trade receivables turnover days for the years/period indicated.

	<b>Year ended 31 March</b>			<b>Six months ended 30 September</b>
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2015</b>
	<i>days</i>	<i>days</i>	<i>days</i>	<i>days</i>
Average trade receivable turnover days ( <i>Note</i> )	81	82	87	88

*Note:* Average trade receivables turnover days is calculated as the average of the beginning and ending trade receivables for the year/period, divided by our revenue for that year/period, multiplied by 365 days for FY2013, FY2014, FY2015 and 183 days for 1H2016 .

We generally allow a credit period up to 45 days to our customers. However, during the Track Record Period, several of our customers which are more sizable construction companies took a longer time to settle the amounts due to us. As a result, we recorded trade receivable turnover days of 81, 82, 87 and 88 days for FY2013, FY2014, FY2015 and 1H2016, respectively. As at 30 September 2015, our trade receivables aged from 91 to 180 days increased from HK\$1.7 million to HK\$13.2 million of which HK\$9.5 million had been settled as at the Latest Practicable Date. As at 30 September 2015, our trade receivables aged over 180 days amounted to HK\$6.8 million, among which HK\$5.6 million had been settled as at the Latest Practicable Date and the remaining HK\$1.2 million mainly represents trade receivables from our Shareholder and strategic partner, Kanamoto. As at the Latest Practicable Date, our Directors consider that the remaining HK\$1.2 million would be recoverable based on our Group's business relationship with and past experience in collecting trade receivables from Kanamoto.

Up to the Latest Practicable Date, HK\$47.2 million, or 75.3%, of our trade receivables (net of allowance for doubtful debts) as at 30 September 2015 of HK\$62.7 million had been settled.

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### Trade and other payables

The table below sets out the breakdown of our trade and other payables:

	As at 31 March			As at 30
	2013	2014	2015	September
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Trade payables	26,447,359	41,335,570	39,194,612	36,946,814
Accrued expenses	5,606,920	5,408,443	6,323,964	8,899,012
Other payables	1,894,273	4,753,319	4,309,965	9,270,723
Deposits received	915,501	1,750,638	3,961,489	2,093,208
	<u>34,864,053</u>	<u>53,247,970</u>	<u>53,790,030</u>	<u>57,209,757</u>

Our trade and other payables is mainly comprised of trade payables which represented amounts due to our suppliers. As at 31 March 2013, 2014 and 2015 and 30 September 2015, our trade payables accounted for 75.9%, 77.6%, 72.9% and 64.6% of our total trade and other payables, respectively. Our trade payables increased by HK\$14.9 million, or 56.3%, from HK\$26.4 million as of 31 March 2013 to HK\$41.3 million as of 31 March 2014. Such increase was mainly due to the increase of purchase of machines to cope with the growth in our rental and trading businesses in FY2014. Our trade and other payables amounted to HK\$53.8 million and HK\$57.2 million as at 31 March 2015 and 30 September 2015 respectively, which is similar to the balance as at 31 March 2014.

The credit term granted to us by our suppliers generally ranges from 0 to 180 days. The table below sets out an aging analysis of our trade payables as at the relevant balance sheet dates indicated.

	As at 31 March			As at 30
	2013	2014	2015	September
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Within 30 days	6,637,800	6,499,357	6,997,930	10,192,322
31 to 60 days	10,809,720	10,617,699	10,195,967	59,959
61 to 90 days	4,623,161	6,848,309	12,846,847	5,484,400
91 to 180 days	4,348,073	14,679,462	2,133,768	12,678,904
Over 180 days	28,605	2,690,743	7,020,100	8,531,229
	<u>26,447,359</u>	<u>41,335,570</u>	<u>39,194,612</u>	<u>36,946,814</u>

## FINANCIAL INFORMATION

The table below sets out our average trade payables turnover days for the year/period indicated.

	<b>Year ended 31 March</b>		<b>Six months ended 30 September</b>	
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2015</b>
	<i>days</i>	<i>days</i>	<i>days</i>	<i>days</i>
Average trade payables turnover days ( <i>Note</i> )	89	65	83	68

*Note:* Average trade payables turnover days is calculated as the average of the beginning and ending trade and bill payables for the year/period, divided by the Total Purchases that year/period, multiplied by 365 days for FY2013, FY2014, FY2015, and 183 days for 1H2016.

Our trade payables turnover days declined from 89 days as at 31 March 2013 to 65 days as at 31 March 2014. The longer turnover days as at 31 March 2013 was mainly due to the fact that our trade payables mainly comprised machinery hiring expenses payable to Kanamoto which had a longer credit period than the other suppliers in general. Since FY2014, we increased the purchases of our owned rental equipment and those purchases generally had a shorter credit period and thus resulting in a shorter trade payables turnover days as at 31 March 2014 and 30 September 2015. For the trade payable turnover days as at 31 March 2015, we recorded a longer turnover days of 83 days as we purchased a batch of high reach equipment near the end of FY2015, which increased the amount payable at the year end.

Up to the Latest Practicable Date, HK\$33.0 million, or 89.4%, of our trade payables as at 30 September 2015 of HK\$36.9 million had been settled.

### **Amounts due from (to) related companies**

As at 31 March 2013, we had amounts due from related companies of HK\$2.7 million. As at 31 March 2013, included in the amounts due from related companies of HK\$1.6 million were trade receivables aged within 30 days based on invoice date as at 31 March 2013 and were unsecured, interest-free and repayable on demand. As at 30 September 2015, we had amounts due to related companies of HK\$0.2 million, which had been settled in January 2016.

### **Amount due to a shareholder**

The amount due to a shareholder represented the amount due to Ms. Chan and amounted to HK\$6.2 million and HK\$21.7 million respectively as at 31 March 2014 and 2015. Such amount represented the interim dividend payable to her and were unsecured, interest-free and repayable on demand. All the amounts due to a shareholder had been fully settled on 7 March 2016.

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### Borrowings

The table below sets out the aggregate amount of our borrowings as at the relevant balance sheet dates indicated.

	<b>As at 31 March</b>			<b>As at 30</b>
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>September</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Borrowings that do not contain repayable on demand clause:				
Within one year	247,252	732,607	766,294	506,470
More than one year, but not more than five years	<u>836,437</u>	<u>1,634,466</u>	<u>868,171</u>	<u>305,564</u>
	<u><u>1,083,689</u></u>	<u><u>2,367,073</u></u>	<u><u>1,634,465</u></u>	<u><u>812,034</u></u>
Borrowings that contain a repayable on demand clause (shown under current liabilities):				
Within one year	2,061,736	4,302,535	11,229,909	15,430,630
More than one year, but not more than five years	<u>—</u>	<u>10,740,502</u>	<u>16,146,097</u>	<u>11,250,613</u>
	<u><u>2,061,736</u></u>	<u><u>15,043,037</u></u>	<u><u>27,376,006</u></u>	<u><u>26,681,243</u></u>

Our borrowings consist of both secured and unsecured facilities. Our fixed-rate and variable-rate borrowings as at 31 March 2013, 31 March 2014, 31 March 2015 and 30 September 2015 carried interests ranging from 2.3% to 6.24% per annum, 1.6% to 3.25% per annum, 1.28% to 3.25% per annum and 1.28% to 3.01% per annum respectively.

As at 31 March 2013, 31 March 2014, 31 March 2015 and 30 September 2015, our borrowings amounted to HK\$3.1 million, HK\$17.4 million, HK\$29.0 million and 27.5 million, respectively. Our borrowings increased significantly from HK\$3.1 million as at 31 March 2013 to HK\$17.4 million as at 31 March 2014. Our borrowings as at 31 March 2015 further increased to HK\$29.0 million. The increases in borrowings were mainly attributable to the additional funding requirement for the purchase of equipment for expansion of our rental fleet. The amount of borrowings as at 30 September 2015 was similar to that as at 31 March 2015.



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### Operating lease commitments and capital commitments

#### *Operating lease commitments*

##### *Our Group as lessee*

Operating lease payments represent rentals payable by us for certain of our office premises and vehicles. Leases are negotiated for an average of one to two years and rentals are fixed at the time of entering the respective leases. As at the relevant balance sheet dates indicated, our Group had contracted for the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<b>As at 31 March</b>			<b>As at 30</b>
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>September</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<b>2015</b>
				<i>HK\$</i>
Within one year	139,880	1,493,800	1,400,530	1,147,847
In the second to fifth years inclusive	—	1,448,000	251,333	30,000

##### *Our Group as lessor*

Our income earned from leasing of machinery during FY2013, FY2014, FY2015 and 1H2016 were HK\$119.4 million, HK\$143.7 million, HK\$161.7 million and HK\$88.4 million respectively. Leases are mainly negotiated for a monthly basis. As at the relevant balance sheet dates indicated, our Group had contracted with customers for the following future minimum lease payments:

	<b>As at 31 March</b>			<b>As at 30</b>
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>September</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<b>2015</b>
				<i>HK\$</i>
Within one year	508,845	1,059,340	1,144,047	475,172

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### **Capital commitments**

The table below sets out our Group's capital expenditure contracted for but not yet incurred and provided for as at the relevant balance sheet dates indicated.

	<b>As at 31 March</b>			<b>As at 30</b>
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>September</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided for in the consolidated financial information	880,200	—	955,391	16,975,280

As at the Latest Practicable Date, our Group had capital commitments of HK\$7.4 million for purchase of boom lifts, scissor lifts and spider cranes for our rental fleet.

### **Indebtedness**

As at 31 January 2016, being the latest practicable date for the purpose of liquidity disclosure in this prospectus, we had outstanding indebtedness of HK\$96.0 million, consisting of borrowings of HK\$78.9 million, obligations under finance leases of HK\$0.4 million and amount due to Ms. Chan of HK\$16.7 million. All amounts due to Ms. Chan had been fully settled on 7 March 2016. As at 31 January 2016, our borrowings and obligations under finance leases were secured by (i) our Group's machineries as to HK\$39.6 million; (ii) our Group's pledged deposits as to HK\$28.0 million; (iii) our Group's bank deposits and machineries as to HK\$5.4 million; and (iv) our Group's deposits placed for a life insurance policy as to HK\$1.3 million. The remaining balance of our borrowings were unsecured. All borrowings and the obligations under finance leases were personally guaranteed by Ms. Chan and will be fully released upon Listing. As at 31 January 2016, our Group had banking facilities of HK\$130.2 million in aggregate of which HK\$75.2 million has been drawn down.

Save as disclosed above and otherwise in this prospectus, as at 31 January 2016, being the latest practicable date for the purpose of liquidity disclosure in this prospectus, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, pledges, charges, finance leases or hire purchase commitments, guarantees or material contingent liabilities.

Our Directors confirm that (i) save for the increase in borrowings as at 31 January 2016, there has not been any material change in our indebtedness since 30 September 2015 and up to 31 January 2016, being the latest practicable date for the purpose of liquidity disclosure in this prospectus; (ii) our Group has not received any notice from the bank indicating that it might

## FINANCIAL INFORMATION

withdraw or downsize the bank loans and bank facility; and (iii) there was no material default in payment of our trade and non-trade payables and borrowings, nor did we breach any relevant finance covenants, during the Track Record Period.

### CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have any material contingent liabilities or guarantees. We are not currently involved in any material legal proceedings, nor are we aware of any pending or potential material legal proceedings involving us.

### FINANCIAL RATIOS

The table below sets forth our key financial ratios for the years/period and as of the dates indicated.

	Year ended/as at 31 March			Six months ended/as at
	2013	2014	2015	30 September 2015
Return on equity <sup>(1)</sup>	61.1%	45.8%	38.8%	28.7%
Return on total assets <sup>(2)</sup>	33.2%	22.3%	18.1%	14.1%
Current ratio <sup>(3)</sup>	1.47	0.99	0.89	0.80
Net debt to equity ratio <sup>(4)</sup>	N/A	8.7%	1.8%	10.9%

*Notes:*

1. Profit attributable to owners for the year/period divided by total equity. Return on equity for 1H2016 was calculated using the profit attributable to owners for 1H2016 adjusted on an annualised basis.
2. Profit attributable to owners for the year/period divided by total assets. Return on total assets for 1H2016 was calculated using the profit attributable to owners for 1H2016 adjusted on an annualised basis.
3. Total current assets divided by total current liabilities.
4. Net debt divided by total equity. Net debt is defined as the sum of the borrowings and obligations under finance leases, minus the cash and cash equivalents.
5. Our return for 1H2016 was affected by the one-off listing expenses of HK\$7.9 million incurred in 1H2016. Based on the Adjusted 1H2016 Profit, our return on equity and return on total assets for 1H2016 would be 40.9% (on an annualised basis) and 20.1% (on an annualised basis), respectively.

### Return on equity

Our return on equity was 61.1%, 45.8%, 38.8% and 28.7% (on an annualised basis) for FY2013, FY2014, FY2015 and 1H2016, respectively. Despite the constant increase in our net profits from FY2014 to FY2015, our return on equity has shown a downward trend due to the fact that a substantial portion of our profits generated for each financial period were substantially retained in our Company's equity. Our equity substantially increased from HK\$57.8 million as at 31 March 2013 to HK\$110.6 million as at 31 March 2015. Our return for 1H2016 was affected by

## FINANCIAL INFORMATION

the one-off listing expenses of HK\$7.9 million incurred in 1H2016. Based on the Adjusted 1H2016 Profit, our return on equity for 1H2016 would be 40.9% (on an annualised basis) which is similar to that for FY2015.

### **Return on total assets**

Our return on total asset was approximately 33.2%, 22.3%, 18.1% and 14.1% (on an annualised basis) for FY2013, FY2014, FY2015 and 1H2016, respectively. During the Track Record Period, we increased the purchases of our owned rental equipment and our total assets had increased accordingly. The net book value of our property, plant and equipment increased 3.5 times from HK\$47.2 million as at 31 March 2013 to HK\$163.5 million as at 30 September 2015 and our total assets increased 2.5 times from HK\$106.3 million as at 31 March 2013 to HK\$262.4 million as at 30 September 2015. Our net cash generated from operating activities also increased from HK\$42.9 million for FY2013 to HK\$63.3 million for FY2015. Due to the significant increase in total assets, our return on assets had shown a downward trend. Based on the Adjusted 1H2016 Profit, our return on total assets for 1H2016 would be 20.1% (on an annualised basis) which is similar to that for FY2015.

### **Current ratio**

As at 31 March 2013, our current ratio was approximately 1.47 times which is higher than our current ratios as at 31 March 2014, 31 March 2015 and 30 September 2015. As we purchased more equipment for our rental business, our payables and corresponding borrowings increased. As a result, the current ratio decreased from 1.47 times as at 31 March 2013 to 0.80 times as at 30 September 2015.

### **Net debt to equity ratio**

As of 31 March 2013, our bank balances and cash exceeded the amount of borrowings and obligations under finance leases, which resulted in net cash position. As at 31 March 2014, our net debt to equity ratio increased to 8.7% due to the increase in borrowings of approximately HK\$14.3 million. As at 31 March 2015, our net debt to equity ratio decreased to 1.8% due to the increase in the bank and cash balance as at 31 March 2015. As at 30 September 2015, our net debt to equity ratio increased to 10.9% which was mainly attributable to the purchase of equipment for our rental business in 1H2016 which led to a decrease in bank balances and cash of 49.8%.

### **LISTING EXPENSES**

The total listing expenses (based on the mid point of the offer price range stated in this prospectus) are estimated to be approximately HK\$31.8 million. In 1H2016, we recognised listing expenses of HK\$7.9 million. By the completion of the Global Offering, we expect to further incur listing expenses of approximately HK\$23.9 million among which, an estimated amount of HK\$15.7 million is to be recognised as expenses and the remaining estimated listing expenses is expected to be charged to equity.

## FINANCIAL INFORMATION

### WORKING CAPITAL CONFIRMATION

Our Directors are of the opinion that, taking into account the financial resources available to our Group presently including our operating cash flow, the available banking facilities and the net proceeds available to us from the Global Offering, our Group has sufficient working capital for our present requirements and for at least the next 12 months from the date of this prospectus.

As discussed in the paragraph headed “Current assets and current liabilities” above, even though our Group had net current liabilities as at 31 March 2014 and 2015 and 30 September 2015, our Directors, having reviewed our cash flow projections, are of the view that we can meet the working capital requirements for at least the next 12 months from the date of this prospectus for the reasons below; and the Sole Sponsor concurs with our Directors’ view on such basis.

Included in net current liabilities were Adjusted Borrowings of HK\$10.7 million, HK\$16.1 million, HK\$11.3 million, HK\$36.9 million due for repayment after 1 year but within 5 years which contain repayable on demand clause as at 31 March 2014 and 2015, 30 September 2015 and 31 January 2016 respectively. If the Adjusted Borrowings are excluded from current liabilities as our Directors do not expect them to be required to be repaid within 12 months, we would have adjusted net current assets of HK\$10.2 million and HK\$4.5 million as at 31 March 2014 and 31 March 2015 respectively. Although we would still have adjusted net current liabilities of HK\$11.5 million as at 30 September 2015, we had adjusted net current assets of HK\$5.2 million as at 31 January 2016. This is mainly because we are able to generate positive cash flow from our operations. We have been and will continue to be prudent in monitoring our working capital. Our Directors consider our Group has sufficient financial resources in the coming twelve months to meet our financial obligations as and when they fall due.

Furthermore, our Directors confirm that we had not have any material defaults in payment of trade and non-trade payables, and borrowings or breaches of financial covenants during the Track Record Period.

### RELATED PARTY TRANSACTIONS

With respect to the related parties transactions set out in note 33 to the Accountants’ report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms and/or that 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 Company and our Shareholders as a whole.

For a discussion of related party transactions, please refer to note 33 to the Accountants’ Report as contained in Appendix I to this prospectus.

### OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, we have not entered into any material off-balance sheet transaction except as disclosed in and in the paragraph headed “Capital commitments” in this section.

## FINANCIAL INFORMATION

### QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

In the normal course of business, we are exposed to various types of market risks including the followings:

#### **Currency risk**

Certain transactions of our Group are denominated in currencies which are different from the functional currencies of our Group entities and therefore our Group is exposed to foreign currency risk. Our Group currently does not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure if necessary. Details of our exposure to foreign exchange risk is set out in note 29(b) of the Accountants' Report set out in Appendix I to this prospectus.

#### **Interest rate risk**

Our Group is exposed to fair value interest rate risk in relation to fixed rate borrowings and investments in bonds. Our management will take appropriate measures to manage interest rate exposure if interest rate fluctuates significantly. Our management considers the fair value interest rate risk to our Group is insignificant.

Our Group is also exposed to cash flow interest rate risk in relation to deposit placed for a life insurance policy, bank balances and variable-rate borrowings due to the fluctuation of the prevailing market interest rate. Our Group's cash flow interest rate risk of variable-rate borrowings is mainly concentrated on the fluctuation of the banks' respective HK\$ Best Lending Rate from our Group's borrowings denominated in HK\$.

During the Track Record Period, our Group has not entered into any interest rate hedging contracts or any other interest rate related derivative financial instruments. However, our management monitors our Group's related interest rate exposure closely and will consider hedging significant interest rate exposure when the need arises.

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The following sensitivity analysis illustrates the potential impact of an increase or decrease in interest rates with respect to our variable-rate borrowings, on profit after tax for the Track Record Period (assuming all other variables were held constant). Fluctuations in interest rates are assumed to be 25 basis points, 50 basis points and 100 basis points for each of FY2013, FY2014, FY2015 and 1H2016.

<b>Change in interest rates (basis points)</b>	<b>+100</b>	<b>+50</b>	<b>+25</b>	<b>-25</b>	<b>-50</b>	<b>-100</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Impact on profit after tax for</i>						
FY2013	—	—	—	—	—	—
FY2014	(15)	(7)	(4)	4	7	15
FY2015	(13)	(6)	(3)	3	6	13
1H2016	(53)	(27)	(13)	13	27	53

### **Credit risk**

Credit risk of our Group is primarily attributable to its trade receivables. Our Group is exposed to concentration of credit risk as a substantial portion of its trade receivables is generated from a limited number of customers. As at 31 March 2013, 31 March 2014, 31 March 2015 and 30 September 2015, our top five customers accounted for about 45%, 61%, 34% and 33% of our trade receivables respectively.

In order to minimise the credit risk, we had a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Our Group also reviews regularly the recoverable amount of each individual trade receivable at the end of the 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.

### **Liquidity risk**

Liquidity risk is the risk that we will not be able to meet our financial obligations as they become due. In the management of the liquidity risk, our Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the operations of our Group, and mitigate the effects of fluctuations in cash flows. Details of our Group's remaining contractual for its non-derivative financial liabilities are set out in note 29(b) of the Accountants' Report in Appendix I of this prospectus.

## FINANCIAL INFORMATION

### DIVIDENDS

We declared dividends of approximately HK\$5.4 million, HK\$10.3 million, HK\$20.0 million and nil respectively for FY2013, FY2014, FY2015 and 1H2016. We declared interim dividends for the year ending 31 March 2016 of HK\$11.0 million in December 2015. As at 26 February 2016, such declared dividends have been fully paid.

We currently plan to pay a total dividend in respect of each financial year of not less than 30% of our consolidated profit attributable to our Shareholders for that year after the Listing, subject to the following factors and considerations. The declaration and payment of any future dividends (including the amount) will depend on our financial condition, results of operation, level of cash, statutory and regulatory restrictions in relation thereto, future prospects, and other factors that our Directors may consider relevant. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any of our plans or at all. Our historical dividend distribution record may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. Dividends may be paid only out of our Company's distributable reserves as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our Group's operation.

### DISTRIBUTABLE RESERVES

As at 30 September 2015, our Company had no distributable reserves available for distribution to our Shareholders.

### NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this prospectus, save for the listing expenses as disclosed in the paragraph headed "Listing Expenses" above which is expected to materially affect our results for FY2016, and the recent slowdown of the construction market in Macau as disclosed in the section "Summary — Recent Developments" in this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group since 30 September 2015, being the date on which the latest audited consolidated financial statements of our Group were made up, and there is no event since 30 September 2015 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

### DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, there are no circumstances which, had our Group been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

### UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Please see the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus.



## FUTURE PLANS AND USE OF PROCEEDS

### FUTURE PLANS

See the section headed “Business — Our Strategies” for detailed description of our future plans.

### USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Global Offering (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering, and assuming an Offer Price of HK\$0.675 per Offer Share, being the mid-point of the indicative Offer Price range) will be approximately HK\$70.2 million, assuming that the Over-allotment Option is not exercised. We currently intend to apply such net proceeds in the following manner:

- (i) approximately 71.2%, or HK\$50.0 million, will be used for investment in rental equipment;
- (ii) approximately 10.4%, or HK\$7.3 million, will be used for development of GPS equipment monitoring system;
- (iii) approximately 7.1% or HK\$5.0 million, will be used for investment in transportation equipment;
- (iv) approximately 4.3%, or HK\$3.0 million, will be used for improvement of facility for maintenance of our equipment; and
- (v) approximately 7.0%, or HK\$4.9 million, will be used for our general working capital.

If the Offer Price is set at HK\$0.60 per Offer Share (being the low-end of the indicative Offer Price), HK\$0.75 per Offer Share (being the high-end of the indicative Offer Price) or any price in between, we intend to apply the net proceeds to the above purposes on a pro-rata basis. If the Over-allotment Option is exercised in full or in part, we intend to apply the additional net proceeds from the exercise of the Over-allotment Option to the above purposes on a pro-rata basis.

Should our Directors decide to re-allocate the intended use of proceeds to other business plans and/or new projects of our Group to a material extent and/or there is to be any material modification to the use of proceeds as described above, we will make appropriate announcement(s) in due course.

To the extent that the net proceeds from the Global Offering are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short-term deposits with licensed banks and authorised financial institutions for so long as it is in our best interests.

## UNDERWRITING

### HONG KONG UNDERWRITERS

The Hong Kong Underwriters are:

#### **Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers**

BOSC International Company Limited  
Great Roc Capital Securities Limited

#### **Co-lead Managers**

Ample Orient Capital Limited  
Finet Securities Limited  
Oriental Patron Securities Limited  
Quam Securities Company Limited

### INTERNATIONAL UNDERWRITERS

The International Underwriters are expected to be:

#### **Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers**

BOSC International Company Limited  
Great Roc Capital Securities Limited

#### **Co-lead Managers**

Ample Orient Capital Limited  
Finet Securities Limited  
Oriental Patron Securities Limited  
Quam Securities Company Limited

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### **Hong Kong Public Offering**

##### ***Hong Kong Underwriting Agreement***

The Hong Kong Underwriting Agreement was entered into on 23 March 2016. As described in the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription on the terms and subject to the conditions of this prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned herein, and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to apply to purchase or procure applications to purchase the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering.

## UNDERWRITING

The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms or otherwise, prior to 8:00 a.m. on the Listing Date.

### *Grounds for termination*

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers to subscribe for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement will be subject to termination with immediate effect by notice (orally or in writing) from the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if at any time prior to 8:00 a.m. on the Listing Date:

- (a) there develops, occurs, exists or comes into effect:
  - (i) any event, circumstance, or series of events, in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of disease, economic sanction, withdrawal of trading privileges, strike, lock-out, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riot, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism); or
  - (ii) any change or development involving a prospective change, or any event, circumstance or series of events likely to result in any change or development involving a prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets), in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union (as a whole), Japan or any other jurisdiction relevant to any member of our Group (“**Relevant Jurisdictions**”); or
  - (iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shenzhen Stock Exchange and the Shanghai Stock Exchange; or
  - (iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent administrative, governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organisation or other non-governmental regulatory authority, or any court, tribunal or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic or foreign (“**Authority**”)), New York (imposed at Federal or New York State level or other competent Authority), London, the PRC, the European

## UNDERWRITING

Union (as a whole), Japan or any other jurisdiction relevant to any member of our Group or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in those places or jurisdictions; or

- (v) any new law or regulation or any change or development involving a prospective change in existing law or regulation or any event or circumstance resulting in a change or development involving a prospective change in the interpretation or application thereof by any court or other competent Authority in or affecting any of the Relevant Jurisdictions; or
- (vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, the United States or the European Union on Hong Kong or Macau or any other jurisdiction relevant to any member of our Group; or
- (vii) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the United States dollar, the Euro, the Hong Kong dollar, Japanese Yen or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or
- (viii) any litigation, legal action, claim or legal proceeding of any third party being threatened or instigated against any member of our Group; or
- (ix) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of our Company; or
- (x) any of the executive Directors vacating his or her office; or
- (xi) any breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than any breach thereof by any of the Hong Kong Underwriters or the International Underwriters); or
- (xii) an Authority or a political body or organisation in any relevant jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or
- (xiii) save as disclosed in this prospectus, the Application forms, the preliminary and final offering circulars relating to the International Offer Shares and any other document issued, given or used in connection with the offering and sale of the Offer Shares or otherwise in connection with the Global Offering, including all amendments or supplements thereto, a contravention by any member of our Group of the Listing Rules or applicable laws; or

## UNDERWRITING

- (xiv) a prohibition on our Company for whatever reason from offering, allotting, issuing, selling or delivering the Shares (including the Shares to be issued pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or
- (xv) any adverse change or development involving a reasonably likely material adverse change, or any development involving a prospective material adverse change, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position, prospects or condition, financial or otherwise, or performance of our Group taken as a whole of any of the risks set out in the section "Risk Factors" in this prospectus; or
- (xvi) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law or regulation; or
- (xvii) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (xviii) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties pursuant to these paragraphs; or
- (xix) an order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with our creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group,

which, individually or in the aggregate, in the sole opinion of the Joint Global Coordinators:

- (1) has or will or may have a material adverse affect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group as a whole; or
- (2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or

## UNDERWRITING

- (3) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or
  - (4) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or
- (b) there has come to the notice of the Joint Global Coordinators:
- (i) that any statement contained in any of this prospectus, the Application Forms and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading in any material respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of this prospectus or the Application Forms and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions in any material respect; or
  - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of this prospectus, the Application Forms, and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or
  - (iii) any material adverse change or development involving a prospective material adverse change in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of any member of our Group; or
  - (iv) any breach of, or any event or circumstance rendering untrue, incorrect or misleading in any material respect, any of the warranties given under the Hong Kong Underwriting Agreement (other than any such breach thereof by the Hong Kong Underwriters); or

## UNDERWRITING

- (v) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the date of the listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (vi) our Company withdraws this prospectus (and/or any other offering document issued or used in connection with the Global Offering) or the Global Offering; or
- (vii) any expert named in “Appendix IV — Statutory and General Information — E. Other Information — 7. Qualifications of experts” to this prospectus has withdrawn its consent to being named in any of this prospectus or the Application Forms or to the issue of any of this prospectus or the Application Forms; or
- (viii) that, as a result of material adverse and abrupt change in market conditions or otherwise, any material order placed by any investor immediately before the Price Determination Agreement is entered into, has been withdrawn or cancelled, and the Joint Global Coordinators, in their sole and absolute discretion after due consideration, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering. For the avoidance of doubt, the right to terminate under this paragraph (ix) is exercisable only from 3:00 p.m. on the day immediately before the Listing Date to 8:00 a.m. on the Listing Date.

### ***Undertakings to the Stock Exchange pursuant to the Listing Rules***

#### *Undertakings by us*

Pursuant to Rule 10.08 of the Listing Rules, except pursuant to the Global Offering (including pursuant to the Over-allotment Option) or any capitalisation issue, capital reduction or consolidation or sub-division of Shares, we will not, at any time within six months from the Listing Date, issue any further shares or other securities convertible into our equity securities (whether or not of a class already listed) or enter into any agreement to such issue (whether or not such issue of shares or securities will be completed within six months from the Listing Date).

#### *Undertakings by our Controlling Shareholders*

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has jointly and severally undertaken to each of us, the Stock Exchange, the Sole Sponsor, the Joint Global Coordinators and the Hong Kong Underwriters except pursuant to the Global Offering (including pursuant to the Over-allotment Option) or the Stock Borrowing Agreement, that he or it will not, and shall procure that any other relevant registered holder(s) of the Shares, any associates or companies controlled by him or it, any nominees or trustees holding the Shares in

## UNDERWRITING

trust for him or it (as the case may be), will not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with applicable requirements of the Listing Rules:

- (a) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of (but save pursuant to a pledge or charge as security in favour of an authorised institution for a bona fide commercial loan) any of our Shares or securities in respect of which he or it is shown by this prospectus to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules) (“**Parent Shares**”); or
- (b) in the period of a further six months commencing on the date on which the First Six-month Period expires (the “**Second Six-month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Parent Shares to such an extent that immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or it would cease to be our controlling shareholder (as defined in the Listing Rules).

Further, pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to us and to the Stock Exchange that, during the First Six-month Period and the Second Six-month Period, he or it will:

- (a) if he or it pledges or charges any of our securities beneficially owned by him or it in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of securities so pledged or charged; and
- (b) if he or it receives indications, either verbal or written, from the pledgee or chargee that any of our pledged or charged securities will be disposed of, immediately inform us of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the above matters, if any, by any of our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed.



## UNDERWRITING

### *Undertakings pursuant to the Hong Kong Underwriting Agreement*

#### *Undertakings by our Company*

Pursuant to the Hong Kong Underwriting Agreement, our Company has undertaken to the Joint Global Coordinators, the Sole Sponsor and the Hong Kong Underwriters that, and our Controlling Shareholders have agreed to procure that, except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Half-Year Period**”), our Company will not, and will procure each other member of our Group not to, without the prior written consent of the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create any mortgage, charge, pledge, lien or other security interest or any option, restriction, right of first refusal, right of pre-emption or other third party claim, right, interest or preference or any other encumbrance of any kind (“**Encumbrance**”) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable); or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable); or
- (c) enter into any transaction with the same economic effect as any transaction specified in paragraph (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in paragraph (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraph (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period).

## UNDERWRITING

Further, in the event that, during the period of six months commencing on the date on which the First Half-year Period expires (the “**Second Half-Year Period**”), our Company enters into any of the transactions specified in paragraph (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

### *Undertakings by our Controlling Shareholders*

Pursuant to the Hong Kong Underwriting Agreement, each of our Controlling Shareholders has undertaken to each of our Company, the Joint Global Coordinators, the Sole Sponsor and the Hong Kong Underwriters that, without the prior written consent of the Sole Sponsor and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules, at any time during the First Half-Year Period:

- (a) it/he/she will not:
  - (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, or any such other securities or any interest in any of the foregoing, as applicable) (the “**Relevant Shares**”) or any interest in any company or entity holding, directly or indirectly, any of the Relevant Shares (the “**Holding Entity**”); 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 Shares or an interest in any Holding Entity; or
  - (iii) enter into any transaction with the same economic effect as any transaction specified in paragraph (i) or (ii) above; or
  - (iv) offer to or agree to or announce any intention to effect any transaction specified in paragraph (i), (ii) or (iii) above;

in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);

## UNDERWRITING

- (b) it/he/she will not, during the Second Half-Year Period, enter into any of the transactions specified in paragraph (a)(i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, it will cease to be a Controlling Shareholder (if applicable) of our Company; and
- (c) until the expiry of the Second Half-Year period, in the event that it/he/she enters into any of the transactions specified in paragraph (a)(i), (ii) or (iii) above or offer to or agrees to or announce any intention to effect any such transaction, it/he/she will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

### ***Undertakings by Kanamoto Japan pursuant to a deed of lock-up undertaking***

Kanamoto Japan entered into a deed of lock-up undertaking dated 16 March 2016, pursuant to which it has undertaken to each of our Company, the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) that, it will and, will procure that none of its associates and companies controlled by it and any nominee or trustee holding in trust for it will, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Underwriters), at any time during the period commencing from the date of this deed and ending on, and including, the date that is five years from the Listing Date (the “**Five-Year Period**”):

- (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any of the Relevant Shares; or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Shares;
- (c) enter into or effect any transaction with the same economic effect as any transaction described in paragraph (a) or (b) above; or
- (d) offer or agree or contract to, or publicly announce any intention to enter into or effect, any transaction described in paragraph (a), (b) or (c) above,

in each case, whether any of the transactions described in paragraph (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the Five-Year Period), and further, it shall, and shall procure that its associates and companies controlled by it and nominees or trustees holding in trust for it shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by it or by the registered holder controlled by it of any Relevant Shares.

## UNDERWRITING

### ***Indemnity***

We, our Controlling Shareholders and our executive Directors have agreed to indemnify the Sole Sponsor, the Joint Global Coordinators and the Hong Kong Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us, our Controlling Shareholders or our executive Directors of the Hong Kong Underwriting Agreement.

### **The International Offering**

In connection with the International Offering, it is expected that our Company and our Controlling Shareholders will enter into the International Underwriting Agreement with the Sole Sponsor, the Joint Global Coordinators and the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out therein, severally agree to purchase the International Offer Shares or procure purchasers to purchase such International Offer Shares.

We will grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters if the size of the Global Offering is at least HK\$100 million, to require us to offer up to an aggregate of 22,680,000 additional Shares, together representing 15% of the number of Shares initially being offered under the Global Offering, at the Offer Price to solely cover over-allocations in the International Offering, if any.

Under the International Underwriting Agreement, our Company, our Controlling Shareholders and our executive Directors will agree to indemnify the International Underwriters against certain losses which they may suffer including losses as a result of certain claims or liabilities which might be incurred by the International Underwriters.

### **Underwriting commission and expenses**

Under the terms and conditions of the Hong Kong Underwriting Agreement, the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) will receive an underwriting commission equal to: (1) 3.5% (if the gross proceeds of the Global Offering (before any exercise of the Over-allotment Option) is at least HK\$90 million but less than HK\$100 million); (2) 4.5% (if the gross proceeds of the Global Offering (before any exercise of the Over-allotment Option) is at least HK\$100 million but less than HK\$105 million); (3) 5.0% (if the gross proceeds of the Global Offering (before any exercise of the Over-allotment Option) is at least HK\$105.0 million but less than HK\$112.6 million); and (4) 5.5% (if the gross proceeds of the Global Offering (before any exercise of the Over-allotment Option) is at least HK\$112.6 million, in each case of the aggregate Offer Price payable in respect of all of the Hong Kong Offer Shares (excluding any International Offer Shares reallocated to the Hong Kong Public Offering and any Hong Kong Offer Shares reallocated to the International Offering). The respective entitlements of the Hong Kong Underwriters to the underwriting commission will be paid as separately agreed between the Joint Global Coordinators and the Hong Kong Underwriters. For unsubscribed Hong Kong Offer Shares reallocated to the International

## UNDERWRITING

Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the relevant International Underwriters (but not the Hong Kong Underwriters).

Assuming the Over-allotment Option is not exercised at all and based on an Offer Price of HK\$0.675 per Share (being the mid-point of the indicative Offer Price range), the total listing expenses (based on the mid point of the offer price range stated in this prospectus) are estimated to be approximately HK\$31.8 million.

### **Hong Kong Underwriters' interests in our Company**

Save for their respective obligations under the Hong Kong Underwriting Agreement or as otherwise disclosed in this prospectus, none of the Underwriters is interested legally or beneficially in any shares of any of our members or 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 of our members in the Global Offering.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

### **Independence of the Sole Sponsor**

BOSC International Company Limited satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

### **ACTIVITIES BY SYNDICATE MEMBERS**

The underwriters of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilising process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

## UNDERWRITING

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilising period described in the section “Structure of the Global Offering” in this prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilising Managers or any person acting for it/them) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

### **RESTRICTIONS ON THE OFFER SHARES**

No action has been taken to permit a public offering of the Offer Shares other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, 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 China.

## STRUCTURE OF THE GLOBAL OFFERING

### THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering which forms part of the Global Offering. BOSC International Company Limited is the Sole Sponsor for the listing of the Shares on the Stock Exchange. BOSC International Company Limited and Great Roc Capital Securities Limited are the Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners of the Global Offering.

The Global Offering initially consists of:

- (i) the Hong Kong Public Offering of 15,120,000 Offer Shares (subject to adjustment as mentioned below) in Hong Kong as described in “Hong Kong Public Offering” in this section below (including the Employee Preferential Offering of up to 1,512,000 Offer Shares as described in the paragraph “Employee Preferential Offering” below in this section); and
- (ii) the International Offering of 136,080,000 Offer Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States in reliance on Regulation S.

Investors may apply for Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the Offer Shares under the International Offering, but may not do both. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offering from investors who have received Offer Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have applied for Hong Kong Offer Shares in the Hong Kong Public Offering. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of Offer Shares to professional, institutional and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The International Underwriters are soliciting from prospective investors’ indications of interest in acquiring the Offer Shares in the International Offering. Prospective professional, institutional and other investors will be required to specify the number of Offer Shares under the International Offering 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 and to cease on or around, the last day of lodging applications under the Hong Kong Public Offering.

Eligible Employees may make an application for the Employee Reserved Shares on a **PINK** Application Form and, in addition, will be entitled to apply for Hong Kong Offer Shares under the Hong Kong Public Offering but may not apply for or indicate an interest for International Offer Shares under the International Offering. Such Eligible Employees will receive no preference as to entitlement or allocation in respect of such further applications for Hong Kong Offer Shares under the Hong Kong Public Offering.



## STRUCTURE OF THE GLOBAL OFFERING

The number of Offer Shares to be offered under the Hong Kong Public Offering and International Offering respectively may be subject to adjustment and, in the case of the International Offering only, the Over-allotment Option as set out in “Structure of the Global Offering — Over-allotment Option and Stabilisation” in this section below.

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) agreeing on the Offer Price. Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date. Details of the underwriting arrangements are summarised in “Underwriting”.

### CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares pursuant to the Global Offering will be conditional on, among others:

- (i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue, the Offer Shares to be issued pursuant to the Global Offering and the Capitalisation Issue and any Shares which may be issued pursuant to the exercise of the Over-allotment Option and such listing and permission not subsequently having been revoked prior to the commencement of dealing in our Shares on the Stock Exchange;
- (ii) the Offer Price having been fixed on or around the Price Determination Date;
- (iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- (iv) the obligations of the Underwriters under each of the Hong Kong Underwriting Agreement and the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the respective agreements

in each case on or before the dates and times specified in the Underwriting Agreements (unless to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

The Offer Shares are being offered at the Offer Price which is expected to be fixed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or around Friday, 1 April 2016 and in any event, not later than 12:00 noon on Wednesday, 6 April 2016.

**If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company by 12:00 noon on Wednesday, 6 April 2016, the Global Offering will not proceed and will lapse.**



## STRUCTURE OF THE GLOBAL OFFERING

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on our website ([www.aprentalshk.com](http://www.aprentalshk.com)) and the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)) on the next business day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares". In the meantime, all application monies will be held in separate bank account(s) with the receiving bank(s) or other bank(s) in Hong Kong licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended from time to time).

**Share certificates for the Offer Shares are expected to be issued on Thursday, 7 April 2016 but will only become valid certificates of title at 8:00 a.m. on Friday, 8 April 2016 provided that (i) the Global Offering has become unconditional in all respects; and (ii) the right of termination as described in "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement — Grounds for termination" has not been exercised. Investors who trade Shares prior to the receipt of share certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.**

### HONG KONG PUBLIC OFFERING

#### Number of Offer Shares initially offered

Our Company is initially offering 15,120,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering (assuming that the Over-allotment Option is not exercised). Subject to the reallocation of Shares between (i) the International Offering; and (ii) the Hong Kong Public Offering as mentioned below, the number of the Hong Kong Offer Shares will represent 1.8% of our Company's issued share capital immediately after completion of the Global Offering and the Capitalisation Issue.

Of the 15,120,000 Shares initially being offered under the Hong Kong Public Offering, 1,512,000 Shares (representing 10% and 1% of the total number of Shares initially being offered under the Hong Kong Public Offering and the Global Offering, respectively) are available for subscription by Eligible Employees on a preferential basis, subject to the terms and conditions set out in this prospectus and the **PINK** Application Forms.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in "Structure of the Global Offering — Conditions of the Global Offering" in this section above.

## STRUCTURE OF THE GLOBAL OFFERING

### Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total available Shares under the Hong Kong Public Offering (after taking into account of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering and after deducting the number of Employee Reserved Shares validly applied for under the Employee Preferential Offering) is to be divided into two pools (subject to adjustment of odd lot size) for allocation purposes: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK\$5.0 million (excluding the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools and can only apply for Hong Kong Offer Shares in either pool A or pool B.

Multiple or suspected multiple applications within either pool or between pools and any application for more than 6,804,000 Hong Kong Offer Shares are liable to be rejected.

### Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. If the number of Offer Shares validly applied for under the Hong Kong Public Offering (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 Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 45,360,000 Offer Shares (in the case of (i)), 60,480,000 Offer Shares (in the case of (ii)) and 75,600,000 Offer Shares (in the case of (iii)) representing 30%, 40% and 50% of the Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option) in each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the

## STRUCTURE OF THE GLOBAL OFFERING

International Offering will be correspondingly reduced, in such manner as the Joint Global Coordinators deem appropriate. In addition, in certain prescribed circumstances, the Joint Global Coordinators may, at their sole and absolute discretion, reallocate International Offer Shares as it deems appropriate from the International Offering to the Hong Kong Public Offering to satisfy in whole or in part the excess valid application in the Hong Kong Public Offering.

If the Hong Kong Offer Shares are not fully subscribed for, the Joint Global Coordinators may, at their sole and absolute discretion, reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportion as the Joint Global Coordinators deem appropriate.

### **Applications**

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under Hong Kong Public Offering.

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) 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 International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares under the International Offering.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$0.75 per Offer Share in addition to any brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable on each Offer Share. If the Offer Price, as finally determined in the manner described in "Structure of the Global Offering — Price Determination of the Global Offering" in this section below, is less than the maximum price of HK\$0.75 per Share, appropriate refund payments (including the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares".

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

## STRUCTURE OF THE GLOBAL OFFERING

### EMPLOYEE PREFERENTIAL OFFERING

Up to 1,512,000 Employee Reserved Shares, representing 10% of the Offer Shares available under the Hong Kong Public Offering and 0.175% of the enlarged issued share capital of our Company upon completion of the Global Offering and the Capitalisation Issue, which are not subject to reallocation to the International Offering as described in the paragraph “Hong Kong Public Offering — Reallocation” above in this section, are available for subscription by Eligible Employees on a preferential basis.

The 1,512,000 Employee Reserved Shares available for application by Eligible Employees on **PINK** Application Forms will be allocated to such applicants on a basis 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 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, an Eligible Employee may be allocated more Employee Reserved Shares than others who have applied for the same number of 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 1,512,000 Employee Reserved Shares will be rejected. Allocation of Hong Kong Offer Shares under the Employee Preferential Offering will be based on the allocation guidelines contained in Practice Note 20 to the Listing Rules. In addition to any application for Employee Reserved Shares on a **PINK** Application Form, Eligible Employees will be entitled to apply for the Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form or by submitting application online through the designated website of the **White Form eIPO** Service Provider or giving electronic application instruction to HKSCC via CCASS.

As at the Latest Practicable Date, our Group had 131 Eligible Employees.

In case not all the 1,512,000 Employee Reserved Shares are subscribed for by Eligible Employees, the undersubscribed Employee Reserved Shares will be available as Hong Kong Offer Shares for subscription by the public under the Hong Kong Public Offering.

### INTERNATIONAL OFFERING

#### Number of Offer Shares offered

The number of Offer Shares to be initially offered for subscription under the International Offering will be 136,080,000 Shares, representing 90% of the total number of the Offer Shares initially available under the Global Offering (subject to adjustment and the Over-allotment Option). Subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the International Offer Shares will represent 15.8% of our enlarged issued share capital immediately after completion of the Global Offering and the Capitalisation Issue.

## STRUCTURE OF THE GLOBAL OFFERING

The International Offering is subject to the same conditions as stated in “Structure of the Global Offering — Conditions of the Global Offering” above in this section.

### **Allocation**

The International Offering will include selective marketing of Offer Shares to professional, institutional and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. 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.

Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the book-building process described in “Structure of the Global Offering — Price Determination of the Global Offering” in this section below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the Listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under the Hong Kong Public Offering.

### **OVER-ALLOTMENT OPTION AND STABILISATION**

In connection with the Global Offering and pursuant to the International Underwriting Agreement, our Company is expected to grant an Over-allotment Option to the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) exercisable at the sole discretion of the Joint Global Coordinators (for themselves and on behalf of the International Underwriters).

The Over-allotment Option is only exercisable if the size of the Global Offering is at least HK\$100 million.

Pursuant to the Over-allotment Option, the Joint Global Coordinators have the right, exercisable at any time from the date of the International Underwriting Agreement until 30 days from the date of the last day of lodging application under the Hong Kong Public Offering, to require our Company to allot and issue up to 22,680,000 additional Shares, representing 15% of the number of the Offer Shares initially available under the Global Offering, at the same price

## STRUCTURE OF THE GLOBAL OFFERING

per Share under the International Offering to cover over-allocation in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 2.6% of our enlarged share capital immediately following the completion of the Global Offering, the Capitalisation Issue and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made in accordance with the Listing Rules.

### **Stock Borrowing Arrangement**

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Joint Global Coordinators (or any person acting for it) may choose to borrow Shares from Shareholders of our Company under stock borrowing arrangements, or acquire Shares from other sources, including the exercise of the Over-allotment Option.

The Stabilising Managers will enter into the Stock Borrowing Agreement with Great Club House, one of our Controlling Shareholders, whereby the Stabilising Managers may borrow Shares from Great Club House on the following conditions:

- (a) the stock borrowing will only be effected by the Stabilising Managers for the settlement of over-allocations in connection with the International Offering;
- (b) the maximum number of Shares borrowed from Great Club House will be limited to 22,680,000 Shares, being the maximum number of Shares which may be allotted and issued by our Company upon full exercise of the Over-allotment Option;
- (c) the same number of Shares borrowed from Great Club House must be returned to it or its nominees (as the case may be) no later than 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 Shares to be allotted and issued upon exercise of the Over-allotment Option have been allotted and issued; or (iii) such earlier time as may be agreed in writing between Great Club House and the Stabilising Managers;
- (d) the stock borrowing arrangement will be effected in compliance with all applicable listing rules, laws and other regulatory requirements; and
- (e) no payments will be made to Great Club House by the Stabilising Managers in relation to such stock borrowing arrangement.

The Stock Borrowing Agreement will be effected in compliance with all applicable laws, rules and regulatory requirements. The Stock Borrowing Arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that it complies with the requirements set forth in Rule 10.07(3) of the Listing Rules. No payment will be made to Great Club House by the Stabilising Managers or its agent in relation to such stock.



## STRUCTURE OF THE GLOBAL OFFERING

### Stabilisation Action

Under the Securities and Futures (Price Stabilizing) Rules under the SFO, stabilisation actions can be permitted only if the size of the Global Offering is equal to or more than HK\$100 million as described above. 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. Such transactions may be effected in all jurisdictions where it is permitted to do so, in each case in compliance with all applicable laws, rules and regulations, including those of Hong Kong. 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.

Great Roc Capital Securities Limited and BOSC International Company Limited have been appointed by us as the Stabilising Managers for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilizing) Rules made under the SFO. In connection with the Global Offering, subject to the size of the Global Offering being equal to or more than HK\$100 million, the Stabilising Managers, their affiliates or any person acting for them, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view of stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period beginning on the Listing Date and expected to end on the 30th day after the last day for lodging of applications under the Hong Kong Public Offering. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including the Securities and Futures (Price Stabilizing) Rules, as amended, made under the SFO. Any market purchases of the Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Managers, their affiliates or any person acting for them to conduct any such stabilising action, which if commenced, will be conducted at the sole and absolute discretion of the Stabilising Managers, their affiliates or any person acting for them and may be discontinued at any time. Any such stabilising activity is required to be brought to an end on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares that may be allotted and issued by our Company under the Over-allotment Option, namely 22,680,000 Shares in aggregate, which is 15% of the Shares initially available under the Global Offering.

Stabilisation action will be entered into in accordance with the laws, rules and regulations in place in Hong Kong. Stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules under the SFO includes (i) over-allocation for the purpose of preventing or minimising any reduction in the market price of our Shares; (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of our Shares; (iii) subscribing, or agreeing to subscribe, for our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimising any reduction in the market price of our

## STRUCTURE OF THE GLOBAL OFFERING

Shares; (v) selling, or agreeing to sell, our Shares in order to liquidate any position established as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v) above.

The Stabilising Managers, its/their affiliates or any person acting for it/them, may take all or any of the above stabilising action in Hong Kong during the stabilisation period.

Specifically, prospective applicants for and investors in the Shares should note that:

- there is no certainty as to the extent to which and the time or period for which the Stabilising Managers or any person acting for it/them will maintain such a long position;
- the Stabilising Managers, its/their affiliates or any person acting for it/their, may, in connection with the stabilising action, maintain a long position in the Shares, and there is no certainty regarding the extent to which and the time period for which the Stabilising Managers, its/their affiliates or any person acting for it/them, will maintain such a position. Investors should be warned of the possible impact of any liquidation of such long position by the Stabilising Managers, its/their affiliates or any other person acting for it/them, may have an adverse impact on the market price of the Shares;
- stabilising action cannot be used 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 30th day after the last date for lodging applications under the Hong Kong Public Offering. 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.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilising period.

In connection with the Global Offering, the Joint Global Coordinators may over-allocate up to and not more than an aggregate of 22,680,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option, which will be exercisable by the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) at their sole discretion, or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.



## STRUCTURE OF THE GLOBAL OFFERING

### PRICE DETERMINATION OF THE GLOBAL OFFERING

The Offer Price is expected to be fixed on the Price Determination Date, which is expected to be on or around Friday, 1 April 2016, and in any event not later than 12:00 noon on Wednesday, 6 April 2016, by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company.

The Offer Price will be not more than HK\$0.75 per Share and is expected to be not less than HK\$0.60 per Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

**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.**

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), and our website ([www.aprentalshk.com](http://www.aprentalshk.com)) and the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)) notices of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon by our Company with the Joint Global Coordinators (for themselves and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The final Offer Price, the levels of indication of interest in the Global Offering, the results of applications and the basis of allotment of Offer Shares under the Hong Kong Public Offering, are expected to be announced on Thursday, 7 April 2016 in the manner set out in "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares — 11. Publication of Results".

## STRUCTURE OF THE GLOBAL OFFERING

### DEALINGS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 8 April 2016, it is expected that dealings in the Offer Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 8 April 2016, and will be traded in board lots of 4,000.

# HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

## 1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at [www.eipo.com.hk](http://www.eipo.com.hk); or
- electronically cause HKSCC Nominees to apply on your behalf.

In addition, if you are an Eligible Employee, you may also apply for Employee Reserved Shares using a **PINK** Application Form. Eligible Employees may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering and the Employee Reserved Shares under the Employee Preferential Offering but may not apply for or indicate an interest for International Offer Shares under the International Offering.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the **White Form eIPO Service Provider** and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

## 2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- 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 China.

If you apply online through the **White Form eIPO** 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.

## HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

If an application is made by a person under a power of attorney, the Joint Global Coordinators 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 **White Form eIPO** service for the Hong Kong Offer Shares.

Only Eligible Employees may apply for the Employee Reserved Shares with a **PINK** Application Form.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares (including any Employee Reserved Shares) if you are:

- an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- a close associate of any of the above;
- a core connected person of our Company or will become a core connected person of our Company immediately upon completion of the Global Offering; or
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

### 3. APPLYING FOR HONG KONG OFFER SHARES

#### Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through [www.eipo.com.hk](http://www.eipo.com.hk).

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

## HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

### 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 Thursday, 24 March 2016 until 12:00 noon on Thursday, 31 March 2016 from:

- (i) any of the following offices of the **Hong Kong Underwriters**:

<b>BOSC International Company Limited</b>	34th Floor, Citibank Tower, Citibank Plaza, 3 Garden Road, Hong Kong
<b>Great Roc Capital Securities Limited</b>	Suite 3712 37/F West Tower, Shun Tak Centre 168–200 Connaught Road Central Hong Kong
<b>Ample Orient Capital Limited</b>	Room 902, 9th Floor Far East Consortium Building 121 Des Voeux Road Central Hong Kong
<b>Finet Securities Limited</b>	30th Floor, Fortis Tower 77–79 Gloucester Road Wanchai, Hong Kong
<b>Oriental Patron Securities Limited</b>	27th Floor, Two Exchange Square 8 Connaught Place Central, Hong Kong
<b>Quam Securities Company Limited</b>	18th Floor, China Building 29 Queen's Road Central Hong Kong

<b>HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES</b>
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(ii) any of the following branches of Bank of China (Hong Kong) Limited:

	<b>Branch name</b>	<b>Address</b>
<b>Hong Kong Island</b>	409 Hennessy Road Branch	409–415 Hennessy Road, Wan Chai
	Gilman Street Branch	136 Des Voeux Road Central
<b>Kowloon</b>	Mong Kok Branch	589 Nathan Road, Mong Kok
	East Point City Branch	Shop 101, East Point City, Tseung Kwan O
<b>New Territories</b>	Yuen Long Branch	102–108 Castle Peak Road, Yuen Long
	Tuen Mun San Hui Branch	G13–G14 Eldo Court, Heung Sze Wui Road, Tuen Mun

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 24 March 2016 until 12:00 noon on Thursday, 31 March 2016 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

A **PINK** Application Form together with this prospectus can be collected by Eligible Employees from our Company's head office at Unit 15, 19/F, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong during normal business hours from 9:00 a.m. on Thursday, 24 March 2016 until 12:00 noon on Wednesday, 30 March 2016. Electronic copies of the **PINK** Application Form and this prospectus can be viewed from our Company's website at [www.aprentalshk.com](http://www.aprentalshk.com) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.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 "Bank of China (Hong Kong) Nominees Limited — AP Rentals Holdings 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:

**Thursday, 24 March 2016 — 9:00 a.m. to 5:00 p.m.**  
**Tuesday, 29 March 2016 — 9:00 a.m. to 5:00 p.m.**  
**Wednesday, 30 March 2016 — 9:00 a.m. to 5:00 p.m.**  
**Thursday, 31 March 2016 — 9:00 a.m. to 12:00 noon**

## HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 31 March 2016, 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 below.

Your completed **PINK** Application Form, together with a cheque attached and marked payable to “Bank of China (Hong Kong) Nominees Limited — AP Rentals Holdings Public Offer” for the payment must be returned to our Company’s head office at Unit 15, 19/F, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong by 12:00 noon on Wednesday, 30 March 2016.

#### 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 **White Form eIPO** service, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of our Company, the Joint Global Coordinators, the Sole Sponsor, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

## HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- (viii) agree to disclose to our Company, our Hong Kong Share Registrar, the receiving bank, the Joint Global Coordinators, the Sole Sponsor, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Joint Global Coordinators, the Sole Sponsor, and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-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 fulfil the criteria mentioned in "personal collection" section in this prospectus to collect share certificate(s)/or refund cheque(s);
- (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;



## HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

- (xvii) understand that our Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (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 **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

### **Additional instructions for YELLOW Application Form**

You may refer to the **YELLOW** Application Form for details.

### **Additional terms and conditions for the Employee Preferential Offering**

You may refer to the **PINK** Application Form for details.

## **5. APPLYING THROUGH WHITE FORM eIPO SERVICE**

### **General**

Individuals who meet the criteria in “2. Who Can Apply” in this section above, may apply through the **White Form eIPO** service for the Hong Kong Offer Shares to be allotted and registered in their own names through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk).

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

## HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

### Time for Submitting Applications under the White Form eIPO

You may submit your application to the **White Form eIPO** Service Provider at [www.eipo.com.hk](http://www.eipo.com.hk) (24 hours daily, except on the last application day) from 9:00 a.m. on Thursday, 24 March 2016 until 11:30 a.m. on Thursday, 31 March 2016 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 31 March 2016 or such later time under “10. Effects of Bad Weather on the Opening of the Applications Lists” in this section below.

### No Multiple Applications

If you apply by means of the **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** 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).

### Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 for each “**AP Rentals Holdings Limited**” **White Form eIPO** application submitted via [www.eipo.com.hk](http://www.eipo.com.hk) to support the funding of “Source of DongJiang — Hong Kong Forest” project initiated by Friends of the Earth (HK).

## HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

### 6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

#### General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

#### **Hong Kong Securities Clearing Company Limited**

Customer Service Centre  
1/F, One & Two Exchange Square  
8 Connaught Place  
Central, Hong Kong

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 Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

#### **Giving Electronic Application Instructions to HKSCC via CCASS**

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

## HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that our Company, our Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted 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 Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Joint Global Coordinators, the Sole Sponsor, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

## HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, the receiving bank, the Joint Global Coordinators, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering 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 giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by 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 Ordinance, 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.

## HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

### Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

### Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 4,000 Hong Kong Offer Shares. Instructions for more than 4,000 Hong Kong 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 Hong Kong 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:

**Thursday, 24 March 2016 — 9:00 a.m. to 8:30 p.m.** <sup>(1)</sup>  
**Tuesday, 29 March 2016 — 8:00 a.m. to 8:30 p.m.** <sup>(1)</sup>  
**Wednesday, 30 March 2016 — 8:00 a.m. to 8:30 p.m.** <sup>(1)</sup>  
**Thursday, 31 March 2016 — 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.

## HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, 24 March 2016 until 12:00 noon on Thursday, 31 March 2016 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, 31 March 2016, 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 below.

### **No Multiple Applications**

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### **Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

### **Personal Data**

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

## HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

### 7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** 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 Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong 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 Thursday, 31 March 2016.

### 8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

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 or suspected multiple applications by any Eligible Employee are liable to be rejected.



## HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

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 **White Form eIPO**, 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 HONG KONG OFFER SHARES

The **WHITE**, **YELLOW** and **PINK** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE**, **YELLOW** and **PINK** Application Form or through the **White Form eIPO** service in respect of a minimum of 4,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 4,000 Hong Kong 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.eipo.com.hk](http://www.eipo.com.hk).

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see “Structure of the Global Offering — Price Determination of the Global Offering”.

## HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

### 10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 31 March 2016. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, 31 March 2016 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 “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 indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the Employee Preferential Offering and the basis of allocation of the Hong Kong Offer Shares and the Employee Reserved Shares on Thursday, 7 April 2016 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on our website ([www.aprentalshk.com](http://www.aprentalshk.com)) and the Stock Exchange’s website ([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 Hong Kong Public Offering and the Employee Preferential Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our website ([www.aprentalshk.com](http://www.aprentalshk.com)) and the Stock Exchange’s website ([www.hkexnews.hk](http://www.hkexnews.hk)) by no later than 8:00 a.m. on Thursday, 7 April 2016;
- from the designated results of allocations website ([www.iporeresults.com.hk](http://www.iporeresults.com.hk)) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Thursday, 7 April 2016 to 12:00 midnight on Wednesday, 13 April 2016;
- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Thursday, 7 April 2016 to Sunday, 10 April 2016;
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 7 April 2016 to Saturday, 9 April 2016 at all the receiving bank designated branches.

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If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares (and, if applicable, the Employee Reserved Shares) if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in “Structure of the Global Offering”.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### 12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares 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 **White Form eIPO** 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.

## HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

**(ii) If our Company or its agents exercise their discretion to reject your application:**

Our Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

**(iii) If the allotment of Hong Kong Offer Shares (and the Employee Reserved Shares) is void:**

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

**(iv) If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** 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 Joint Global Coordinators believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations;
- you apply for more than 6,804,000 Hong Kong Offer Shares; or
- you apply for more than 1,512,000 Employee Reserved Shares.

## HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

### 13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$0.75 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with “Structure of the Global Offering — Conditions of the Global Offering” 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 or before Thursday, 7 April 2016.

### 14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public 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) and one share certificate for all the Employee Reserved Shares allotted to you under the Employee Preferential Offering.

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 Hong Kong Offer Shares and/or Employee Reserved 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 Hong Kong 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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Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Thursday, 7 April 2016. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 8 April 2016 provided that the Global Offering has become unconditional and the right of termination described in "Underwriting" has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

### **Personal Collection**

#### ***(i) If you apply using a WHITE and/or PINK Application Form***

If you apply for 1,000,000 or more Hong Kong Offer Shares and/or 50,000 or more Employee Reserved Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 7 April 2016 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares and/or less than 50,000 Employee Reserved Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Thursday, 7 April 2016, by ordinary post and at your own risk.

#### ***(ii) If you apply using a YELLOW Application Form***

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Thursday, 7 April 2016, by ordinary post and at your own risk.

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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 Participants stock account as stated in your Application Form on Thursday, 7 April 2016, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in the paragraph "11. Publication of Results" in this section above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 7 April 2016 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

### ***(iii) If you apply through the White Form eIPO Service***

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 7 April 2016, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-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 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, 7 April 2016 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-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.



## HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

### *(iv) If you apply via Electronic Application Instructions to HKSCC*

#### *Allocation of Hong Kong Offer Shares*

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

#### *Deposit of Share Certificates into CCASS and Refund of Application Monies*

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 7 April 2016, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Thursday, 7 April 2016. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 7 April 2016 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 7 April 2016. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.



## HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

- 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, 7 April 2016.

### 15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.



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24 March 2016

The Directors  
AP Rentals Holdings Limited  
BOSC International Company Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) relating to AP Rentals 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 the six months ended 30 September 2015 (the “Relevant Periods”), for inclusion in the prospectus of the Company dated 24 March 2016 in connection with the initial public offering of its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Prospectus”).

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 11 June 2015. Pursuant to a corporate reorganisation, as more fully explained in the section headed “History and Development” in the Prospectus (“Group Reorganisation”), the Company became the holding company of the Group on 21 July 2015.

At the date of this report, the Company has the following subsidiaries:

Name of subsidiaries	Place of incorporation/ registration	Date of incorporation	Issued and fully paid ordinary share capital/ registered capital	Equity interests attributable to the Group (Note)				At the date of this report	Principal activities
				At 31 March 2013	2014	2015	At 30 September 2015		
AP Rentals (BVI) Holdings Limited	British Virgin Islands	18 June 2015	US\$2	—	—	—	100%	100%	Investment holding
AP Rentals Limited	Hong Kong	30 April 1997	HK\$27,378,000	100%	100%	100%	100%	100%	Investment holding, trading and leasing of machinery and parts, and provision of operating and other related services
AP Equipment Leasing and Engineering Limited	Macau	22 December 2004	MOP25,000	100%	100%	100%	100%	100%	Leasing of construction machinery

Note: The Company directly holds the equity interest in AP Rentals (BVI) Holdings Limited. All other subsidiaries shown above are indirectly held by the Company through AP Rentals (BVI) Holdings Limited.

Except for AP Equipment Leasing and Engineering Limited which has adopted 31 December as its financial year end date, the Company and its other subsidiaries have adopted 31 March as their financial year end date.

No audited financial statements have been prepared for the Company since its date of incorporation as it was incorporated in a jurisdiction where there is no statutory audit requirement and it has not carried on any business other than the transactions related to the Group Reorganisation. We have reviewed all relevant transactions of the Company since its incorporation and carried out such procedures as we considered necessary for inclusion of the financial information relating to the Company in the Prospectus.

No audited statutory financial statements have been prepared for AP Rentals (BVI) Holdings Limited as it was incorporated in a jurisdiction where there are no statutory audit requirements.

The statutory financial statements of AP Rentals Limited for the years ended 31 March 2013, 2014 and 2015 were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and were audited by us.

The statutory financial statements of AP Equipment Leasing and Engineering Limited for the years ended 31 December 2012, 2013 and 2014 were prepared in accordance with the relevant accounting principles and financial regulations in Macau and were audited by Lo Sin Mei, Auditor, who is a certified public accountant registered in Macau.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Company and its subsidiaries now comprising the Group for the Relevant Periods ("Underlying Financial Statements") in accordance with HKFRSs issued by the HKICPA. We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Group for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 2 of Section A below. No adjustments are considered necessary to the Underlying Financial Statements in preparing our report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 2 of Section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the financial positions of the Group as at 31 March 2013, 31 March 2014, 31 March 2015 and 30 September 2015 and of the financial position of the Company as at 30 September 2015, and of the consolidated financial performance and cash flows of the Group for the Relevant Periods.

The comparative consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group for the six months ended 30 September 2014 together with the notes thereon have been extracted from the unaudited financial information of the Group for the same period which was prepared by the directors of the Company solely for the purpose of this report. We conduct our review on such financial information in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of such financial information consisted of making enquires, 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 such financial information. Based on our review, nothing has come to our attention that causes us to believe that such 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 which conform with HKFRSs.

## A. FINANCIAL INFORMATION

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended 31 March			Six months ended 30 September	
		2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$	2015 HK\$
Revenue	6	159,751,153	217,949,457	228,224,860	110,927,564	121,436,886
Cost of sales and services		<u>(106,438,559)</u>	<u>(156,256,789)</u>	<u>(158,903,616)</u>	<u>(77,358,805)</u>	<u>(80,101,678)</u>
Gross profit		53,312,594	61,692,668	69,321,244	33,568,759	41,335,208
Other income	7	1,086,758	1,152,364	2,065,476	927,980	1,379,260
Other gains and losses	8	(446,287)	3,171,554	2,625,368	664,420	678,257
Administrative expenses		(11,359,462)	(18,090,856)	(21,427,456)	(9,270,403)	(11,527,041)
Listing expenses		—	—	—	—	(7,887,681)
Finance costs	9	<u>(330,117)</u>	<u>(384,315)</u>	<u>(1,113,128)</u>	<u>(472,691)</u>	<u>(580,633)</u>
Profit before taxation		42,263,486	47,541,415	51,471,504	25,418,065	23,397,370
Income tax expense	10	<u>(6,966,772)</u>	<u>(7,415,991)</u>	<u>(8,546,704)</u>	<u>(4,491,199)</u>	<u>(4,896,437)</u>
Profit and total comprehensive income for the year/period	11	<u>35,296,714</u>	<u>40,125,424</u>	<u>42,924,800</u>	<u>20,926,866</u>	<u>18,500,933</u>
Earnings per share — basic (HK cents)	14	<u>4.95</u>	<u>5.63</u>	<u>6.02</u>	<u>2.94</u>	<u>2.60</u>

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		At 31 March		At 30 September	
		2013	2014	2015	2015
	NOTES	HK\$	HK\$	HK\$	HK\$
<b>Non-current Assets</b>					
Property, plant and equipment	15	47,248,827	101,979,016	137,634,471	163,469,367
Deposit placed for a life insurance policy	17	—	2,359,539	2,437,504	2,472,185
Investments in bonds	16	356,236	—	—	1,213,033
Deposits for purchase of property, plant and equipment		—	—	120,587	2,406,602
		<u>47,605,063</u>	<u>104,338,555</u>	<u>140,192,562</u>	<u>169,561,187</u>
<b>Current Assets</b>					
Inventories	18	2,421,989	4,187,420	12,461,208	9,909,939
Trade receivables, deposits and prepayments	19	45,667,006	57,218,994	56,927,735	65,197,668
Amounts due from related companies	20	2,689,849	—	—	—
Investments in bonds	16	—	356,236	—	3,769,782
Prepaid tax		—	1,129,606	—	—
Bank balances and cash	21	<u>7,893,937</u>	<u>13,087,467</u>	<u>27,890,199</u>	<u>13,993,293</u>
		<u>58,672,781</u>	<u>75,979,723</u>	<u>97,279,142</u>	<u>92,870,682</u>
<b>Current Liabilities</b>					
Trade and other payables	22	34,864,053	53,247,970	53,790,030	57,209,757
Amounts due to related companies	20	12,648	—	—	224,351
Amount due to a shareholder	20	—	6,168,968	21,730,112	21,379,892
Dividend payable		151,604	—	—	—
Tax liabilities		1,704,092	—	4,707,925	9,185,434
Obligations under finance leases					
— due within one year	23	965,624	1,329,671	478,194	350,903
Borrowings — due within one year	24	2,308,988	15,775,644	28,142,300	27,187,713
Bank overdraft		—	—	—	123,542
		<u>40,007,009</u>	<u>76,522,253</u>	<u>108,848,561</u>	<u>115,661,592</u>
<b>Net Current Assets (Liabilities)</b>		<u>18,665,772</u>	<u>(542,530)</u>	<u>(11,569,419)</u>	<u>(22,790,910)</u>
<b>Total Assets less Current Liabilities</b>		<u>66,270,835</u>	<u>103,796,025</u>	<u>128,623,143</u>	<u>146,770,277</u>

	NOTES	At 31 March		At 30 September	
		2013 HK\$	2014 HK\$	2015 HK\$	2015 HK\$
<b>Non-current Liabilities</b>					
Deferred tax liabilities	25	5,550,664	12,586,153	16,843,772	17,215,606
Obligations under finance leases					
— due after one year	23	2,097,967	1,931,215	342,209	179,183
Borrowings — due after one year	24	<u>836,437</u>	<u>1,634,466</u>	<u>868,171</u>	<u>305,564</u>
		<u>8,485,068</u>	<u>16,151,834</u>	<u>18,054,152</u>	<u>17,700,353</u>
<b>Net Assets</b>		<u><u>57,785,767</u></u>	<u><u>87,644,191</u></u>	<u><u>110,568,991</u></u>	<u><u>129,069,924</u></u>
<b>Capital and Reserves</b>					
Issued capital	26	27,378,000	27,378,000	27,378,000	27,378
Reserves		<u>30,407,767</u>	<u>60,266,191</u>	<u>83,190,991</u>	<u>129,042,546</u>
<b>Total Equity</b>		<u><u>57,785,767</u></u>	<u><u>87,644,191</u></u>	<u><u>110,568,991</u></u>	<u><u>129,069,924</u></u>

## STATEMENT OF FINANCIAL POSITION OF THE COMPANY

		<b>At</b>
		<b>30 September</b>
		<b>2015</b>
	<i>Notes</i>	<i>HK\$</i>
<b>Non-current Asset</b>		
Investment in a subsidiary		<u>129,820,849</u>
<b>Current Liability</b>		
Amount due to a subsidiary	20	<u>401,157</u>
<b>Net Assets</b>		<u><u>129,419,692</u></u>
<b>Capital and Reserves</b>		
Issued capital	26	27,378
Reserves	27	<u>129,392,314</u>
<b>Total Equity</b>		<u><u>129,419,692</u></u>



## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Issued capital HK\$	Share premium HK\$ (Note i)	Merger reserve HK\$ (Note ii)	Legal reserve HK\$ (Note iii)	Translation reserve HK\$	Retained profits HK\$	Total HK\$
At 1 April 2012	27,378,000	—	—	12,135	(5,009)	533,927	27,919,053
Profit and total comprehensive income for the year	—	—	—	—	—	35,296,714	35,296,714
Dividend recognised as distribution (note 13)	—	—	—	—	—	(5,430,000)	(5,430,000)
At 31 March 2013	27,378,000	—	—	12,135	(5,009)	30,400,641	57,785,767
Profit and total comprehensive income for the year	—	—	—	—	—	40,125,424	40,125,424
Dividend recognised as distribution (note 13)	—	—	—	—	—	(10,267,000)	(10,267,000)
At 31 March 2014	27,378,000	—	—	12,135	(5,009)	60,259,065	87,644,191
Profit and total comprehensive income for the year	—	—	—	—	—	42,924,800	42,924,800
Dividend recognised as distribution (note 13)	—	—	—	—	—	(20,000,000)	(20,000,000)
At 31 March 2015	27,378,000	—	—	12,135	(5,009)	83,183,865	110,568,991
Profit and total comprehensive income for the period	—	—	—	—	—	18,500,933	18,500,933
Arising from reorganisation	(27,350,622)	129,793,471	(102,442,849)	—	—	—	—
At 30 September 2015	<u>27,378</u>	<u>129,793,471</u>	<u>(102,442,849)</u>	<u>12,135</u>	<u>(5,009)</u>	<u>101,684,798</u>	<u>129,069,924</u>
<b>Unaudited</b>							
At 1 April 2014	27,378,000	—	—	12,135	(5,009)	60,259,065	87,644,191
Profit and total comprehensive income for the period	—	—	—	—	—	20,926,866	20,926,866
At 30 September 2014	<u>27,378,000</u>	<u>—</u>	<u>—</u>	<u>12,135</u>	<u>(5,009)</u>	<u>81,185,931</u>	<u>108,571,057</u>

## Notes:

- (i) Share premium represents the difference between the nominal amount of the share capital issued by the Company and the aggregate of the nominal amount of the issued share capital and other reserves of AP Rentals (BVI) Holdings Limited, a subsidiary which was acquired by the Company pursuant to the Group Reorganisation.
- (ii) Merger reserve represents the difference between the amount of share capital and share premium of the Company issued, and the issued share capital of AP Rentals Limited exchanged in connection with the Group Reorganisation.
- (iii) In accordance with the Article 377 of the Commercial Code of Macau Special Administrative Region, the subsidiary registered in Macau is required to transfer part of its profits of each accounting period of not less than 25% as legal reserve, until it reaches an amount equal to half of the capital.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
	HK\$	HK\$	HK\$	HK\$	HK\$
				(unaudited)	
<b>Operating activities</b>					
Profit before taxation	42,263,486	47,541,415	51,471,504	25,418,065	23,397,370
Adjustments for:					
Allowance for doubtful debts recognised (reversed), net	1,478,730	(1,011,984)	1,775,280	1,576,230	613,432
Depreciation of property, plant and equipment	6,828,162	15,106,384	24,344,446	10,854,174	14,258,368
Finance costs	330,117	384,315	1,113,128	472,691	580,633
Gain on disposal of property, plant and equipment	(889,002)	(2,477,300)	(4,181,017)	(2,107,958)	(1,323,721)
Interest income	(5,784)	(11,460)	(85,574)	(46,302)	(141,669)
Write down of inventories	29,407	—	—	—	—
Operating cash flows before movements in working capital	50,035,116	59,531,370	74,437,767	36,166,900	37,384,413
(Increase) decrease in inventories	(21,679)	(1,765,431)	(8,273,788)	(4,486,899)	2,551,269
Increase in trade receivables, deposits and prepayments	(18,396,116)	(10,540,004)	(1,484,021)	(3,825,954)	(8,883,365)
Increase in amounts due from related companies	(1,635,453)	(472,435)	(3,425,810)	(42,317)	—
Increase in amount due from a shareholder	(70,000)	—	—	—	—
Increase (decrease) in trade and other payables	4,904,426	18,383,917	542,060	(1,795,321)	3,419,727
Increase in amounts due to related companies	178,821	—	—	—	224,351
Cash generated from operations	44,895,115	75,037,417	61,796,208	26,016,409	34,696,395
Income tax (paid) refunded	(1,947,581)	(3,214,200)	1,548,446	(609,758)	(47,094)
<b>Net cash from operating activities</b>	<u>42,947,534</u>	<u>71,823,217</u>	<u>63,344,654</u>	<u>25,406,651</u>	<u>34,649,301</u>

	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
	HK\$	HK\$	HK\$	HK\$	HK\$
				(unaudited)	
<b>Investing activities</b>					
Interest received	5,784	11,460	7,609	15,110	106,988
Purchase of property, plant and equipment	(33,889,613)	(72,718,226)	(69,517,674)	(44,699,029)	(54,795,976)
Proceeds from disposal of property, plant and equipment	3,106,843	6,885,301	13,578,203	8,414,150	13,740,418
(Purchase of) proceeds from redemption of investments in bonds	(356,236)	—	356,236	356,236	(4,982,815)
Advances to a related company	(1,100,000)	(1,380,797)	(1,781,420)	(1,564,826)	—
Repayments from a related company	—	2,480,797	1,781,420	1,564,826	—
Deposits placed for a life insurance policy	—	(2,359,539)	—	—	—
<b>Net cash used in investing activities</b>	<u>(42,133,222)</u>	<u>(79,181,004)</u>	<u>(55,575,626)</u>	<u>(35,913,533)</u>	<u>(45,931,385)</u>
<b>Financing activities</b>					
Interest paid	(330,117)	(384,315)	(1,113,128)	(472,691)	(580,633)
New borrowings raised	3,300,000	18,201,566	20,074,677	7,453,000	5,000,000
Repayments of borrowings	(289,448)	(3,936,881)	(8,474,316)	(3,075,640)	(6,517,194)
Repayments of obligations under finance leases	(1,057,999)	(1,329,053)	(2,440,483)	(1,299,447)	(290,317)
Decrease in amount due to a shareholder	—	—	(1,013,046)	(2,888)	(350,220)
<b>Net cash from (used in) financing activities</b>	<u>1,622,436</u>	<u>12,551,317</u>	<u>7,033,704</u>	<u>2,602,334</u>	<u>(2,738,364)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>2,436,748</u>	<u>5,193,530</u>	<u>14,802,732</u>	<u>(7,904,548)</u>	<u>(14,020,448)</u>
<b>Cash and cash equivalents at beginning of the year/period</b>	<u>5,457,189</u>	<u>7,893,937</u>	<u>13,087,467</u>	<u>13,087,467</u>	<u>27,890,199</u>
<b>Cash and cash equivalents at end of the year/period</b>	<u><u>7,893,937</u></u>	<u><u>13,087,467</u></u>	<u><u>27,890,199</u></u>	<u><u>5,182,919</u></u>	<u><u>13,869,751</u></u>
<b>Cash and cash equivalents at end of the year/period, represented by</b>					
Bank balances and cash	7,893,937	13,087,467	27,890,199	5,182,919	13,993,293
Bank overdraft	—	—	—	—	(123,542)
	<u><u>7,893,937</u></u>	<u><u>13,087,467</u></u>	<u><u>27,890,199</u></u>	<u><u>5,182,919</u></u>	<u><u>13,869,751</u></u>

## NOTES TO FINANCIAL INFORMATION

### 1. GENERAL

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 11 June 2015. The addresses of the registered office and the principal place of business of the Company are disclosed in the Corporate Information section in the Prospectus.

The Financial Information is presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Company.

### 2. BASIS OF PREPARATION OF FINANCIAL INFORMATION

Pursuant to the Group Reorganisation as set out in the section headed "History and Development" in the Prospectus, AP Rentals (BVI) Holdings Limited was interspersed between AP Rentals Limited and its shareholder (the "Shareholder") on 21 July 2015, and then the Company was interspersed between AP Rentals (BVI) Holdings Limited and its shareholders on the same day. After that the Company became the holding company of the companies now comprising the Group. The Group comprising the Company and its subsidiaries resulting from this Group Reorganisation is regarded as a continuing entity.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group which include the results, changes in equity and cash flows of the companies comprising the Group for the Relevant Periods have been prepared as if the Company had always been the holding company of the companies now comprising the Group and the current group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation/registration, where it is a shorter period.

The consolidated statements of financial position of the Group as at 31 March 2013, 31 March 2014 and 31 March 2015 present the assets and liabilities of the companies comprising the Group which had been incorporated or registered on those dates and as if the current group structure had been in existence as at those dates.

### 3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

HKICPA has issued a number of new and revised HKFRSs which are effective for the Group's accounting periods beginning on 1 April 2015. For the purpose of preparing and presenting the Financial Information of the Relevant Periods, the Group has adopted all these new and revised HKFRSs consistently throughout the Relevant Periods.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

Amendments to HKFRSs HKFRS 9	Annual Improvements to HKFRSs 2012–2014 Cycle <sup>1</sup> Financial Instruments <sup>2</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>4</sup>
Amendments to HKFRS 11 HKFRS 14	Accounting for Acquisitions of Interests in Joint Operations <sup>1</sup> Regulatory Deferral Accounts <sup>3</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>1</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable 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>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined

**HKFRS 9 *Financial Instruments***

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 that are relevant to the Group are:

All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are 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 value at the end of subsequent accounting 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.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Company anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial instruments. It is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

**HKFRS 15 *Revenue from Contracts with Customers***

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue 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.

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. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

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 Financial Information. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Other than disclosed above, the directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the Financial Information of the Group.

#### 4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with the following accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the Financial Information include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange of 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 Financial Information is determined on such a basis, except for share-based payment 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 asset or liability.

The principal accounting policies are set out below.

##### **Basis of consolidation**

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when 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 Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of subsidiaries acquired or disposed of during the Relevant Periods are included in the consolidated statements of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

#### **Property, plant and equipment**

Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual value 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.

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

#### **Impairment of tangible assets**

At the end of each 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.

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 is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

**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 fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

***Financial assets***

The Group's financial assets are classified as loans and receivables, and held-to-maturity investments. 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 and points 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.

***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 deposit placed for a life insurance policy, trade receivables, amounts due from related companies, and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of 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.

***Held-to-maturity investments***

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group's management has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments (including investments in bonds) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

***Impairment of 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.



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
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, and 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.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and amounts due from related companies, where the carrying amounts are reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable or an amount due from a related company is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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 was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment 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.

#### ***Financial liabilities***

Financial liabilities (including trade payables, amounts due to related companies and a shareholder, dividend payable, borrowings and bank overdraft) 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 (including all fees and points 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 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**

The Group derecognises a financial asset 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.

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 equity is recognised in profit or loss.

The Group derecognises financial liabilities 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.

**Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods in the ordinary course of business is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rental income from machinery leasing under operating lease is recognised on a straight-line basis over the term of the relevant lease.

Operating service income and other services income are recognised when services are rendered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income 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.

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production 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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**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 Relevant Periods. Taxable profit differs from "profit before taxation" as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other periods 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 the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated statements of financial position 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 differences 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 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, 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 are only recognised to the extent 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 the 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 the 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 are also recognised in other comprehensive income or directly in equity respectively.

**Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on monetary items are recognised in profit or loss in the period in which they arise.

For the purpose of presenting the Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the year/period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

**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***

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 consolidated statements of financial position as obligations under finance leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

**Retirement benefit costs**

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

**5. KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgments, 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.

The following 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 the assets within the following twelve months.

**Depreciation of property, plant and equipment**

The Group's management determines the residual value, useful lives and related depreciation charges for the property, plant and equipment. This estimate is based on the historical experience of the actual residual value and useful lives of plant and equipment of similar nature and functions and may vary significantly as a result of technical innovations and keen competition from competitors, resulting in higher depreciation charge and/or write-off or write-down of technically obsolete assets when residual value or useful lives are less than previously estimated.

**Allowance for doubtful debts**

Allowance for doubtful debts is made when there is objective evidence that the recoverability of trade receivables due from customers becomes doubtful. As at 31 March 2013, 31 March 2014, 31 March 2015 and 30 September 2015, the carrying amounts of trade receivables are HK\$42,932,421, HK\$55,266,248, HK\$53,630,623 and HK\$62,709,773 respectively, net of allowance for doubtful debts of HK\$2,310,322, HK\$1,298,338, HK\$3,073,618 and HK\$3,687,050 respectively. The calculation of the allowance requires management to make assumptions and to apply judgement regarding historical settlement experience, debt ageing, financial status of customers and general economic conditions. The directors of the Company believe that there will not be a material change in the estimates or assumptions which are used in the calculations of impairment loss of trade receivables. However, when the actual outcome or expectation in future is different from the original estimates, an additional impairment loss may have to be recognised.

**Held-to-maturity investments**

The directors of the Company have reviewed the Group's held-to-maturity investments in the light of its capital maintenance and liquidity requirements and have confirmed the Group's positive intention and ability to hold those assets to maturity. As at 31 March 2013, 31 March 2014, 31 March 2015 and 30 September 2015, the aggregate carrying amount of the held-to-maturity investments was HK\$356,236, HK\$356,236, nil and HK\$4,982,815 respectively. Details of these assets are set out in note 16.

**6. REVENUE AND SEGMENT INFORMATION**

The Group's revenue represents the net amounts received or receivable for machinery leased, goods sold and services provided in the normal course of business, net of discounts and returns.

An analysis of the Group's revenue for the years ended 31 March 2013, 31 March 2014 and 31 March 2015, and the six months ended 30 September 2014 and 30 September 2015 are as follows:

	Year ended 31 March			Six months ended 30 September	
	2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$	2015 HK\$
				(unaudited)	
Leasing income of machinery	119,422,150	143,657,197	161,659,460	78,895,332	88,363,886
Sales of machinery and parts	17,981,706	46,443,539	38,530,323	17,218,990	17,951,870
Operating service income	16,404,480	19,294,888	16,926,176	9,239,744	9,823,591
Other service income	<u>5,942,817</u>	<u>8,553,833</u>	<u>11,108,901</u>	<u>5,573,498</u>	<u>5,297,539</u>
	<u>159,751,153</u>	<u>217,949,457</u>	<u>228,224,860</u>	<u>110,927,564</u>	<u>121,436,886</u>

For management purpose, the Group is organised based on its business activities. The Group determines its operating segments based on these business activities, that are regularly reviewed by the chief operating decision maker, i.e. the executive directors of the Company, for the purpose of resources allocation and performance assessment.

Specifically, the Group's reportable and operating segments under HKFRS 8 *Operating Segments* are as follows:

Leasing — Leasing of machinery, and related operating and other services

Trading — Sales of machinery and parts, and related operating and other services

Segment information about these reportable and operating segments is presented below.

#### Segment revenue and results

For the year ended 31 March 2013:

	Leasing HK\$	Trading HK\$	Total HK\$
<b>Revenue</b>			
Segment revenue from external customers	<u>141,634,370</u>	<u>18,116,783</u>	<u>159,751,153</u>
<b>Results</b>			
Segment results	<u>46,557,812</u>	<u>3,619,186</u>	50,176,998
Unallocated income			516,234
Unallocated expenses			<u>(8,429,746)</u>
Consolidated profit before taxation of the Group			<u>42,263,486</u>

For the year ended 31 March 2014:

	Leasing HK\$	Trading HK\$	Total HK\$
<b>Revenue</b>			
Segment revenue from external customers	<u>171,101,966</u>	<u>46,847,491</u>	<u>217,949,457</u>
<b>Results</b>			
Segment results	<u>53,793,917</u>	<u>8,152,163</u>	61,946,080
Unallocated income			218,367
Unallocated expenses			<u>(14,623,032)</u>
Consolidated profit before taxation of the Group			<u>47,541,415</u>

For the year ended 31 March 2015:

	Leasing HK\$	Trading HK\$	Total HK\$
<b>Revenue</b>			
Segment revenue from external customers	<u>189,350,271</u>	<u>38,874,589</u>	<u>228,224,860</u>
<b>Results</b>			
Segment results	<u>58,756,583</u>	<u>7,914,880</u>	66,671,463
Unallocated income			471,938
Unallocated expenses			<u>(15,671,897)</u>
Consolidated profit before taxation of the Group			<u>51,471,504</u>

For the six months ended 30 September 2014 (unaudited):

	Leasing HK\$	Trading HK\$	Total HK\$
<b>Revenue</b>			
Segment revenue from external customers	<u>93,633,981</u>	<u>17,293,583</u>	<u>110,927,564</u>
<b>Results</b>			
Segment results	<u>28,245,543</u>	<u>3,432,528</u>	31,678,071
Unallocated income			298,866
Unallocated expenses			<u>(6,558,872)</u>
Consolidated profit before taxation of the Group			<u>25,418,065</u>

For the six months 30 September 2015:

	Leasing HK\$	Trading HK\$	Total HK\$
<b>Revenue</b>			
Segment revenue from external customers	<u>103,417,228</u>	<u>18,019,658</u>	<u>121,436,886</u>
<b>Results</b>			
Segment results	<u>34,423,452</u>	<u>5,419,683</u>	39,843,135
Unallocated income			406,792
Unallocated expenses			<u>(16,852,557)</u>
Consolidated profit before taxation of the Group			<u>23,397,370</u>

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies described in note 4. Segment results represent the profit earned by each segment without allocation of interest income, sundry income, corporate income and central administration expenses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

No segment assets and liabilities are presented as the information is not regularly reported to the chief operating decision maker for the purpose of resource allocation and assessment of performance.

## Other segment information

For the year ended 31 March 2013:

	<b>Leasing</b> <i>HK\$</i>	<b>Trading</b> <i>HK\$</i>	<b>Unallocated</b> <i>HK\$</i>	<b>Total</b> <i>HK\$</i>
Amounts included in the measure of segment results:				
Allowance for doubtful debts recognised, net	1,478,730	—	—	1,478,730
Depreciation of property, plant and equipment	6,440,565	35,046	352,551	6,828,162
Gain on disposal of property, plant and equipment	889,002	—	—	889,002
Write down of inventories	<u>—</u>	<u>29,407</u>	<u>—</u>	<u>29,407</u>

For the year ended 31 March 2014:

	<b>Leasing</b> <i>HK\$</i>	<b>Trading</b> <i>HK\$</i>	<b>Unallocated</b> <i>HK\$</i>	<b>Total</b> <i>HK\$</i>
Amounts included in the measure of segment results:				
Allowance for doubtful debts reversed, net	(1,010,184)	(1,800)	—	(1,011,984)
Depreciation of property, plant and equipment	14,294,669	111,784	699,931	15,106,384
Gain on disposal of property, plant and equipment	<u>2,477,300</u>	<u>—</u>	<u>—</u>	<u>2,477,300</u>

For the year ended 31 March 2015:

	<b>Leasing</b> <i>HK\$</i>	<b>Trading</b> <i>HK\$</i>	<b>Unallocated</b> <i>HK\$</i>	<b>Total</b> <i>HK\$</i>
Amounts included in the measure of segment results:				
Allowance for doubtful debts recognised, net	1,772,041	3,239	—	1,775,280
Depreciation of property, plant and equipment	23,235,389	74,409	1,034,648	24,344,446
Gain on disposal of property, plant and equipment	<u>4,127,507</u>	<u>53,510</u>	<u>—</u>	<u>4,181,017</u>

For the six months ended 30 September 2014 (unaudited):

	<b>Leasing</b> <i>HK\$</i>	<b>Trading</b> <i>HK\$</i>	<b>Unallocated</b> <i>HK\$</i>	<b>Total</b> <i>HK\$</i>
Amounts included in the measure of segment results:				
Allowance for doubtful debts recognised, net	1,574,737	1,493	—	1,576,230
Depreciation of property, plant and equipment	10,350,948	18,225	485,001	10,854,174
Gain on disposal of property, plant and equipment	<u>2,097,990</u>	<u>9,968</u>	<u>—</u>	<u>2,107,958</u>



For the six months ended 30 September 2015:

	Leasing HK\$	Trading HK\$	Unallocated HK\$	Total HK\$
Amounts included in the measure of segment results:				
Allowance for doubtful debts recognised, net	613,432	—	—	613,432
Depreciation of property, plant and equipment	13,518,692	13,409	726,267	14,258,368
Gain on disposal of property, plant and equipment	<u>1,316,269</u>	<u>7,452</u>	<u>—</u>	<u>1,323,721</u>

#### Geographical information

The Group's revenue from external customers is mainly derived from customers located in Hong Kong and Macau, which is determined based on the location of customers.

	Year ended 31 March			Six months ended 30 September	
	2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$	2015 HK\$
External revenue:				(unaudited)	
Hong Kong	157,219,745	209,469,225	187,343,638	94,923,985	96,107,482
Macau	<u>2,531,408</u>	<u>8,480,232</u>	<u>40,881,222</u>	<u>16,003,579</u>	<u>25,329,404</u>
	<u>159,751,153</u>	<u>217,949,457</u>	<u>228,224,860</u>	<u>110,927,564</u>	<u>121,436,886</u>

The Group's non-current assets based on the geographical location of the owners of these assets are as follows:

	Non-current assets (Note)			As at
	As at 31 March			30 September
	2013 HK\$	2014 HK\$	2015 HK\$	2015 HK\$
Hong Kong	47,241,009	101,974,273	137,512,252	148,890,294
Macau	<u>7,818</u>	<u>4,743</u>	<u>122,219</u>	<u>14,579,073</u>
	<u>47,248,827</u>	<u>101,979,016</u>	<u>137,634,471</u>	<u>163,469,367</u>

Note: Non-current assets excluded investments in bonds, deposit placed for a life insurance policy and deposits for purchase of property, plant and equipment.

## Information about major customers

Revenue from customers during the Relevant Periods contributing over 10% of the total revenue of the Group is as follows:

	Year ended 31 March			Six months ended 30 September	
	2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$	2015 HK\$
Customer A	<u>N/A<sup>1</sup></u>	<u>27,040,526</u>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>

<sup>1</sup> The corresponding revenue did not contribute over 10% of the total revenue of the Group for the Relevant Periods.

## 7. OTHER INCOME

	Year ended 31 March			Six months ended 30 September	
	2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$	2015 HK\$
Interest income from:					
— bank deposits	1,377	2,820	3,313	1,043	6,674
— investment in bonds	4,407	8,640	4,296	4,296	99,386
— deposit placed for a life insurance policy	—	—	77,965	40,963	35,609
Storage income	660,000	744,000	1,101,000	384,000	717,501
Sundry income	<u>420,974</u>	<u>396,904</u>	<u>878,902</u>	<u>497,678</u>	<u>520,090</u>
	<u>1,086,758</u>	<u>1,152,364</u>	<u>2,065,476</u>	<u>927,980</u>	<u>1,379,260</u>

## 8. OTHER GAINS AND LOSSES

	Year ended 31 March			Six months ended 30 September	
	2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$	2015 HK\$
Allowance for doubtful debts (recognised) reversed, net	(1,478,730)	1,011,984	(1,775,280)	(1,576,230)	(613,432)
Exchange gain (loss), net	143,441	(317,730)	219,631	132,692	(32,032)
Gain on disposal of property, plant and equipment	<u>889,002</u>	<u>2,477,300</u>	<u>4,181,017</u>	<u>2,107,958</u>	<u>1,323,721</u>
	<u>(446,287)</u>	<u>3,171,554</u>	<u>2,625,368</u>	<u>664,420</u>	<u>678,257</u>

## 9. FINANCE COSTS

	Year ended 31 March			Six months ended 30 September	
	2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$	2015 HK\$
Interest on borrowings wholly repayable within five years	170,746	224,956	1,005,427	426,588	566,346
Interest on finance leases	<u>159,371</u>	<u>159,359</u>	<u>107,701</u>	<u>46,103</u>	<u>14,287</u>
	<u>330,117</u>	<u>384,315</u>	<u>1,113,128</u>	<u>472,691</u>	<u>580,633</u>

## 10. INCOME TAX EXPENSE

	Year ended 31 March			Six months ended 30 September	
	2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$	2015 HK\$
Current tax					
Hong Kong Profits Tax	3,345,741	300,024	1,573,000	2,127,250	2,943,214
Macau Complimentary Income Tax	<u>305,932</u>	<u>65,316</u>	<u>2,231,000</u>	<u>785,528</u>	<u>1,581,389</u>
	<u>3,651,673</u>	<u>365,340</u>	<u>3,804,000</u>	<u>2,912,778</u>	<u>4,524,603</u>
Underprovision in prior years	<u>—</u>	<u>15,162</u>	<u>485,085</u>	<u>485,085</u>	<u>—</u>
Deferred taxation ( <i>note 25</i> )	<u>3,315,099</u>	<u>7,035,489</u>	<u>4,257,619</u>	<u>1,093,336</u>	<u>371,834</u>
	<u>6,966,772</u>	<u>7,415,991</u>	<u>8,546,704</u>	<u>4,491,199</u>	<u>4,896,437</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the Relevant Periods.

For the subsidiary registered in Macau, Macau Complimentary Income Tax is calculated at 12% of the estimated assessable profit exceeding MOP600,000 after the deduction of dividend paid for all relevant periods. During the year ended 31 March 2015, MOP600,000 dividend was paid by the subsidiary registered in Macau and the amount was deducted from the assessable profit.

The income tax expense for the year/period can be reconciled from the profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March			Six months ended 30 September	
	2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$ (unaudited)	2015 HK\$
Profit before taxation	<u>42,263,486</u>	<u>47,541,415</u>	<u>51,471,504</u>	<u>25,418,065</u>	<u>23,397,370</u>
Tax at applicable tax rate of 16.5%	6,973,475	7,844,333	8,492,798	4,193,981	3,860,566
Tax effect of expenses not deductible for tax purpose	69,552	—	658,523	281,613	1,730,327
Tax effect of income not taxable for tax purpose	(954)	(1,891)	(14,116)	(10,775)	(1,095)
Tax effect of tax exemption under Macau Complimentary Income Tax	—	—	(192,234)	(96,117)	(96,117)
Utilisation of tax losses previously not recognised	—	(42,741)	(5,405)	(5,405)	—
Underprovision in prior years	—	15,162	485,085	485,085	—
Effect of different tax rate of subsidiary operating in other jurisdiction	(114,724)	(24,494)	(836,658)	(294,573)	(593,049)
Others	<u>39,423</u>	<u>(374,378)</u>	<u>(41,289)</u>	<u>(62,610)</u>	<u>(4,195)</u>
Income tax expense for the year/ period	<u>6,966,772</u>	<u>7,415,991</u>	<u>8,546,704</u>	<u>4,491,199</u>	<u>4,896,437</u>

## 11. PROFIT FOR THE YEAR/PERIOD

	Year ended 31 March			Six months ended 30 September	
	2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$	2015 HK\$
Profit for the year/period has been arrived at after charging:				(unaudited)	
Directors' emoluments ( <i>note 12</i> )	—	—	1,003,500	—	1,206,600
Other staff costs:					
— Salaries, allowances and other benefits	23,994,450	29,014,893	31,733,616	16,124,062	17,751,880
— Retirement benefits scheme contributions	867,166	973,746	1,086,115	553,715	666,900
	<u>24,861,616</u>	<u>29,988,639</u>	<u>32,819,731</u>	<u>16,677,777</u>	<u>18,418,780</u>
Total staff costs	<u>24,861,616</u>	<u>29,988,639</u>	<u>33,823,231</u>	<u>16,677,777</u>	<u>19,625,380</u>
Auditor's remuneration	223,000	270,000	291,000	136,500	201,651
Cost of inventories recognised as expenses	13,216,633	36,523,610	28,541,808	12,912,723	11,282,595
Depreciation of property, plant and equipment	6,828,162	15,106,384	24,344,446	10,854,714	14,258,368
Operating lease rentals in respect of rented premises	851,812	1,906,213	3,783,893	1,805,740	2,149,724
Write down of inventories	29,407	—	—	—	—

## 12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

The executive directors of the Company were appointed on 11 June 2015, and the non-executive director and independent non-executive directors were appointed on 10 December 2015 and 17 March 2016 respectively. Details of the emoluments paid or payable to the directors of the Company (including emoluments for the services as employees of the Group prior to becoming directors of the Company) by the Group during the Relevant Periods are as follows:

	Year ended 31 March			Six months ended 30 September	
	2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$	2015 HK\$
Directors' fees	—	—	—	—	—
Other emoluments:					
Basic salaries, allowances and other benefits	—	—	582,000	—	1,170,600
Discretionary bonus	—	—	412,500	—	—
Retirement benefits scheme contributions	—	—	9,000	—	36,000
	<u>—</u>	<u>—</u>	<u>1,003,500</u>	<u>—</u>	<u>1,206,600</u>

No directors waived any emoluments for the Relevant Periods.

	Other emoluments				Total HK\$
	Directors' fees HK\$	Basic salaries, allowances and other benefits HK\$	Discretionary bonus HK\$	Retirement benefits scheme contributions HK\$	
<b>For the year ended</b>					
<b>31 March 2013</b>					
Executive directors:					
Lau Pong Sing ( <i>Note i</i> )	—	—	—	—	—
Chan Kit Mui, Lina ( <i>Note ii</i> )	—	—	—	—	—
Non-executive director:					
Kitagawa Ken	—	—	—	—	—
Independent non-executive directors:					
Li Ping Chi, Ben	—	—	—	—	—
Siu Chak Yu, Simon	—	—	—	—	—
Ho Chung Tai, Raymond	—	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>For the year ended</b>					
<b>31 March 2014</b>					
Executive directors:					
Lau Pong Sing ( <i>Note i</i> )	—	—	—	—	—
Chan Kit Mui, Lina ( <i>Note ii</i> )	—	—	—	—	—
Non-executive director:					
Kitagawa Ken	—	—	—	—	—
Independent non-executive directors:					
Li Ping Chi, Ben	—	—	—	—	—
Siu Chak Yu, Simon	—	—	—	—	—
Ho Chung Tai, Raymond	—	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

	Other emoluments				Total HK\$
	Directors' fees HK\$	Basic salaries, allowances and other benefits HK\$	Discretionary bonus HK\$	Retirement benefits scheme contributions HK\$	
<b>For the year ended 31 March 2015</b>					
Executive directors:					
Lau Pong Sing ( <i>Note i</i> )	—	270,000	255,000	4,500	529,500
Chan Kit Mui, Lina ( <i>Note ii</i> )	—	312,000	157,500	4,500	474,000
Non-executive director:					
Kitagawa Ken	—	—	—	—	—
Independent non-executive directors:					
Li Ping Chi, Ben	—	—	—	—	—
Siu Chak Yu, Simon	—	—	—	—	—
Ho Chung Tai, Raymond	—	—	—	—	—
	<u>—</u>	<u>582,000</u>	<u>412,500</u>	<u>9,000</u>	<u>1,003,500</u>
<b>For the six months ended 30 September 2014 (unaudited)</b>					
Executive directors:					
Lau Pong Sing ( <i>Note i</i> )	—	—	—	—	—
Chan Kit Mui, Lina ( <i>Note ii</i> )	—	—	—	—	—
Non-executive director:					
Kitagawa Ken	—	—	—	—	—
Independent non-executive directors:					
Li Ping Chi, Ben	—	—	—	—	—
Siu Chak Yu, Simon	—	—	—	—	—
Ho Chung Tai, Raymond	—	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

	Other emoluments				Total HK\$
	Directors' fees HK\$	Basic salaries, allowances and other benefits HK\$	Discretionary bonus HK\$	Retirement benefits scheme contributions HK\$	
<b>For the six months ended 30 September 2015</b>					
Executive directors:					
Lau Pong Sing	—	540,000	—	18,000	558,000
Chan Kit Mui, Lina	—	630,600	—	18,000	648,600
Non-executive director:					
Kitagawa Ken	—	—	—	—	—
Independent non-executive directors:					
Li Ping Chi, Ben	—	—	—	—	—
Siu Chak Yu, Simon	—	—	—	—	—
Ho Chung Tai, Raymond	—	—	—	—	—
	—	1,170,600	—	36,000	1,206,600

*Notes:*

- i. Directors' emoluments of HK\$1,060,514, HK\$1,264,143, HK\$930,979 and HK\$620,461 for the years ended 31 March 2013, 31 March 2014 and 31 March 2015, and for the six months ended 30 September 2014 (unaudited) were borne by a related company and charged to the Group through management fee paid to that related company (see note 33).
- ii. Directors' emoluments of HK\$638,926, HK\$757,857, HK\$630,971 and HK\$420,839 for the years ended 31 March 2013, 31 March 2014 and 31 March 2015, and for the six months ended 30 September 2014 (unaudited) were borne by a related company and charged to the Group through management fee paid to that related company (see note 33).



Of the five individuals with the highest emoluments in the Group for the years ended 31 March 2013, 31 March 2014 and 31 March 2015, and the six months ended 30 September 2014 and 30 September 2015, two of them were directors of the Company, whose emoluments are paid by the Group or included in management fee charged to the Group by a related company. The emoluments of the remaining three individuals were as follows:

	Year ended 31 March			Six months ended 30 September	
	2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$	2015 HK\$
				(unaudited)	
Basic salaries, allowances and other benefits	1,479,282	1,782,385	1,967,890	1,080,947	941,619
Discretionary bonus	133,000	247,500	249,500	—	—
Retirement benefits scheme contributions	<u>43,500</u>	<u>45,000</u>	<u>52,434</u>	<u>25,434</u>	<u>27,000</u>
	<u>1,655,782</u>	<u>2,074,885</u>	<u>2,269,824</u>	<u>1,106,381</u>	<u>968,619</u>

The emoluments of these employees were individually less than HK\$1,000,000 for each of the years ended 31 March 2013, 31 March 2014 and 31 March 2015, and the six months ended 30 September 2014 and 30 September 2015.

No emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office during the Relevant Periods.

### 13. DIVIDEND

	Year ended 31 March			Six months ended 30 September	
	2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$	2015 HK\$
				(unaudited)	
Dividend recognised as distributions of AP Rentals Limited during the Relevant Periods	<u>5,430,000</u>	<u>10,267,000</u>	<u>20,000,000</u>	<u>—</u>	<u>—</u>

The rate of dividend and the number of shares ranking for the above dividends are not presented as such information is not meaningful having regard to the purpose of this report.

### 14. EARNINGS PER SHARE

The calculation of the basic earnings per share for the Relevant Periods is based on the profit attributable to the owners of the Company and on 712,800,000 shares in issue during these periods on the assumption that the capitalisation issue as detailed in the paragraph headed "Further information about our Company — 4. Extraordinary general meeting of our Shareholders on 17 March 2016" in Appendix IV to the Prospectus have been effective on 1 April 2012.

No diluted earnings per share are presented for the Relevant Periods as there were no potential ordinary shares in issue.

## 15. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery HK\$	Office equipment HK\$	Furniture and fixtures HK\$	Leasehold improvements HK\$	Motor vehicles HK\$	Tools HK\$	Total HK\$
COST							
At 1 April 2012	39,209,039	545,270	59,888	364,478	6,578,333	295,427	47,052,435
Additions	29,296,636	84,752	—	2,335,314	2,567,926	63,985	34,348,613
Disposals	<u>(3,469,801)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(3,469,801)</u>
At 31 March 2013	65,035,874	630,022	59,888	2,699,792	9,146,259	359,412	77,931,247
Additions	71,529,451	433,409	—	33,930	2,079,971	167,813	74,244,574
Disposals	<u>(7,995,580)</u>	<u>(3,098)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(7,998,678)</u>
At 31 March 2014	128,569,745	1,060,333	59,888	2,733,722	11,226,230	527,225	144,177,143
Additions	65,126,129	227,624	5,018	1,096,380	2,856,094	85,842	69,397,087
Disposals	<u>(13,767,670)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(3,909,069)</u>	<u>—</u>	<u>(17,676,739)</u>
At 31 March 2015	179,928,204	1,287,957	64,906	3,830,102	10,173,255	613,067	195,897,491
Additions	48,873,103	160,151	—	1,113,341	1,628,025	735,341	52,509,961
Disposals	<u>(15,180,788)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(973,230)</u>	<u>—</u>	<u>(16,154,018)</u>
At 30 September 2015	<u>213,620,519</u>	<u>1,448,108</u>	<u>64,906</u>	<u>4,943,443</u>	<u>10,828,050</u>	<u>1,348,408</u>	<u>232,253,434</u>
DEPRECIATION							
At 1 April 2012	23,268,180	295,652	59,888	265,426	1,032,056	185,016	25,106,218
Provided for the year	5,040,429	83,236	—	169,380	1,471,370	63,747	6,828,162
Eliminated on disposals	<u>(1,251,960)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,251,960)</u>
At 31 March 2013	27,056,649	378,888	59,888	434,806	2,503,426	248,763	30,682,420
Provided for the year	12,332,573	144,183	—	493,764	2,050,232	85,632	15,106,384
Eliminated on disposals	<u>(3,587,579)</u>	<u>(3,098)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(3,590,677)</u>
At 31 March 2014	35,801,643	519,973	59,888	928,570	4,553,658	334,395	42,198,127
Provided for the year	21,174,277	197,942	502	570,445	2,302,701	98,579	24,344,446
Eliminated on disposals	<u>(5,749,277)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(2,530,276)</u>	<u>—</u>	<u>(8,279,553)</u>
At 31 March 2015	51,226,643	717,915	60,390	1,499,015	4,326,083	432,974	58,263,020
Provided for the period	12,607,263	116,273	753	452,191	996,358	85,530	14,258,368
Eliminated on disposals	<u>(2,913,362)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(823,959)</u>	<u>—</u>	<u>(3,737,321)</u>
At 30 September 2015	<u>60,920,544</u>	<u>834,188</u>	<u>61,143</u>	<u>1,951,206</u>	<u>4,498,482</u>	<u>518,504</u>	<u>68,784,067</u>
CARRYING VALUES							
At 31 March 2013	<u>37,979,225</u>	<u>251,134</u>	<u>—</u>	<u>2,264,986</u>	<u>6,642,833</u>	<u>110,649</u>	<u>47,248,827</u>
At 31 March 2014	<u>92,768,102</u>	<u>540,360</u>	<u>—</u>	<u>1,805,152</u>	<u>6,672,572</u>	<u>192,830</u>	<u>101,979,016</u>
At 31 March 2015	<u>128,701,561</u>	<u>570,042</u>	<u>4,516</u>	<u>2,331,087</u>	<u>5,847,172</u>	<u>180,093</u>	<u>137,634,471</u>
At 30 September 2015	<u>152,699,975</u>	<u>613,920</u>	<u>3,763</u>	<u>2,992,237</u>	<u>6,329,568</u>	<u>829,904</u>	<u>163,469,367</u>

As at 31 March 2013, 31 March 2014, 31 March 2015 and 30 September 2015, motor vehicles of the Group amounting to HK\$3,497,636, HK\$3,773,492, HK\$1,338,124 and HK\$1,093,967 respectively were held under finance leases.

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Plant and machinery	15% to 30%
Others	20%

#### 16. INVESTMENTS IN BONDS

	As at 31 March		As at 30 September	
	2013	2014	2015	2015
	HK\$	HK\$	HK\$	HK\$
Bonds based on remaining maturity at the end of the reporting period:				
Non-current	356,236	—	—	1,213,033
Current	—	356,236	—	3,769,782
	<u>356,236</u>	<u>356,236</u>	<u>—</u>	<u>4,982,815</u>

At as 31 March 2013, 31 March 2014 and 30 September 2015, the Group's held-to-maturity investments represent listed bonds carry fixed interest at 2.30% on semi-annual basis, at 2.30% on semi-annual basis and ranging from 3.35% to 6.875% on semi-annual basis respectively. None of these assets has been past due or impaired at the end of each reporting period.

#### 17. DEPOSIT PLACED FOR A LIFE INSURANCE POLICY

	As at 31 March		As at 30 September	
	2013	2014	2015	2015
	HK\$	HK\$	HK\$	HK\$
Deposit placed for a life insurance policy	—	2,359,539	2,437,504	2,472,185

During the year ended 31 March 2014, the Group entered into a life insurance policy (the "Policy") with an insurance company to insure a director of the Company. Under the Policy, the beneficiary and policy holder is a subsidiary of the Company and the total insured sum is US\$1,000,000 (equivalent to approximately HK\$7,757,000).

At inception of the Policy, the Group is required to make a single upfront payment of US\$322,106 (equivalent to approximate HK\$2,497,000) which includes a fixed policy premium charge and a deposit. Monthly policy expense and insurance charges will be incurred over the insurance period with reference to the terms set out in the Policy. The insurance company will pay the Group a guaranteed interest rate of 4.2% for the first year and a variable return per annum afterwards (with guaranteed minimum interest rate of 2%) during the effective period of the Policy. The policy premium, expense and insurance charges are recognised in profit or loss over the expected life of the Policy and the deposit placed is carried at amortised cost using the effective interest method. The Group may request full surrender of the Policy at any time and receive cash back based on the value of the Policy at the date of withdrawal, which is determined by the gross premium paid plus accumulated interest earned and minus the policy expense and insurance premium charge. If such withdrawal is made between the first to eighteenth policy year, a pre-determined specified surrender charge would be imposed on the Group.

The directors of the Company consider that the possibility of terminating the Policy during the first to eighteenth policy year was low and the expected life of the life insurance policy remains unchanged since its initial recognition.

## 18. INVENTORIES

	As at 31 March			As at
	2013	2014	2015	30 September
	HK\$	HK\$	HK\$	2015
				HK\$
Finished goods	2,421,989	4,187,420	12,461,208	9,909,939

## 19. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 March			As at
	2013	2014	2015	30 September
	HK\$	HK\$	HK\$	2015
				HK\$
Trade receivables	45,242,743	56,564,586	56,704,241	66,396,823
Less: Allowance for doubtful debts	<u>(2,310,322)</u>	<u>(1,298,338)</u>	<u>(3,073,618)</u>	<u>(3,687,050)</u>
	42,932,421	55,266,248	53,630,623	62,709,773
Deposits and prepayments	<u>2,734,585</u>	<u>1,952,746</u>	<u>3,297,112</u>	<u>2,487,895</u>
	<u>45,667,006</u>	<u>57,218,994</u>	<u>56,927,735</u>	<u>65,197,668</u>

The Group allows an average credit period of 0 to 45 days to its trade customers. Before accepting any new customer, the Group makes enquiries to assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed annually. Trade receivables that are neither past due nor impaired are due from creditworthy customers.

As at 30 September 2015, included in trade receivables are HK\$1,006,715 and HK\$2,522,135 receivables from a shareholder of the Company and its subsidiary respectively.

The following is an aged analysis of trade receivable, net of allowance, presented based on the invoice date at the end of each reporting period:

	As at 31 March			As at
	2013	2014	2015	30 September
	HK\$	HK\$	HK\$	2015
				HK\$
Within 30 days	10,565,670	10,964,625	14,536,172	20,124,814
31 to 60 days	15,947,114	26,152,385	21,864,410	12,563,572
61 to 90 days	7,368,712	8,594,993	7,233,428	9,986,142
91 to 180 days	7,776,060	6,217,865	1,689,629	13,216,297
Over 180 days	<u>1,274,865</u>	<u>3,336,380</u>	<u>8,306,984</u>	<u>6,818,948</u>
	<u>42,932,421</u>	<u>55,266,248</u>	<u>53,630,623</u>	<u>62,709,773</u>

As at 31 March 2013, 31 March 2014, 31 March 2015 and 30 September 2015, included in the Group's trade receivable balances were debtors with aggregate carrying amount of HK\$41,588,728, HK\$49,503,657, HK\$41,472,366 and HK\$54,818,687, respectively, which were past due at the end of each reporting period for which the Group has not provided for allowance for doubtful debts. Based on past experience, the directors of the Company are of the opinion that no further provision is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group did not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired:

	As at 31 March			As at
	2013	2014	2015	30 September
	HK\$	HK\$	HK\$	HK\$
Overdue:				
1 to 60 days	20,831,793	23,849,707	22,806,282	27,326,040
61 to 90 days	11,954,389	17,493,787	6,536,669	8,736,043
91 to 120 days	4,629,372	826,636	432,549	6,611,073
Over 120 days	4,173,174	7,333,527	11,696,866	12,145,531
	<u>41,588,728</u>	<u>49,503,657</u>	<u>41,472,366</u>	<u>54,818,687</u>

Movements in the allowance for doubtful debts were as follows:

	As at 31 March			As at
	2013	2014	2015	30 September
	HK\$	HK\$	HK\$	HK\$
At beginning of the year/period	831,592	2,310,322	1,298,338	3,073,618
Impairment loss recognised (reversed), net	<u>1,478,730</u>	<u>(1,011,984)</u>	<u>1,775,280</u>	<u>613,432</u>
At end of the year/period	<u>2,310,322</u>	<u>1,298,338</u>	<u>3,073,618</u>	<u>3,687,050</u>

## 20. AMOUNTS DUE FROM (TO) RELATED COMPANIES/AMOUNTS DUE TO A SHAREHOLDER AND A SUBSIDIARY

As at 31 March 2013, included in the amounts due from related companies were trade receivables of HK\$1,589,849 aged within 30 days based on the invoice date at the end of the reporting period, which were unsecured, interest-free and repayable on demand. The remaining amounts due from a related company is non-trade in nature, unsecured, interest-free and repayable on demand which are analysed as follows:

The Group	Balance as at				Maximum amount outstanding during the year/period			
	31 March		30 September		Year ended 31 March		Six months ended	
	2013	2014	2015	2015	2013	2014	2015	30 September
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
<b>Related company</b>								
Ajax Pong Machinery Leasing Limited	1,100,000	—	—	—	1,100,000	1,380,797	1,781,420	—
	<u>1,100,000</u>	<u>—</u>	<u>—</u>	<u>—</u>				

The amounts due to related companies, a shareholder and a subsidiary are non-trade in nature, unsecured, interest-free and repayable on demand. The directors expect that the amounts will be repaid before the listing of the Company's shares on the Stock Exchange.

The related companies are companies in which the directors of the Company had a material beneficial interest.

**21. BANK BALANCES AND CASH**

Bank balances carry interest at prevailing market interest rates of 0.01% per annum, 0.01% per annum, ranging from 0.01% to 3.2% per annum and 0.01% per annum as at 31 March 2013, 31 March 2014, 31 March 2015 and 30 September 2015 respectively.

**22. TRADE AND OTHER PAYABLES**

	As at 31 March		As at 30 September	
	2013	2014	2015	2015
	HK\$	HK\$	HK\$	HK\$
Trade payables	26,447,359	41,335,570	39,194,612	36,946,814
Accrued expenses	5,606,920	5,408,443	6,323,964	8,899,012
Other payables	1,894,273	4,753,319	4,309,965	9,270,723
Deposits received	915,501	1,750,638	3,961,489	2,093,208
	<u>34,864,053</u>	<u>53,247,970</u>	<u>53,790,030</u>	<u>57,209,757</u>

As at 30 September 2015, included in trade payables is HK\$26,749,102 payable to a subsidiary of a shareholder of the Company.

The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

	As at 31 March		As at 30 September	
	2013	2014	2015	2015
	HK\$	HK\$	HK\$	HK\$
Within 30 days	6,637,800	6,499,357	6,997,930	10,192,322
31 to 60 days	10,809,720	10,617,699	10,195,967	59,959
61 to 90 days	4,623,161	6,848,309	12,846,847	5,484,400
91 to 180 days	4,348,073	14,679,462	2,133,768	12,678,904
Over 180 days	28,605	2,690,743	7,020,100	8,531,229
	<u>26,447,359</u>	<u>41,335,570</u>	<u>39,194,612</u>	<u>36,946,814</u>

The credit period on trade payables is ranging from 0 to 180 days.

## 23. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments				Present value of minimum lease payments			
	As at 31 March		As at 30 September		As at 31 March		As at 30 September	
	2013 HK\$	2014 HK\$	2015 HK\$	2015 HK\$	2013 HK\$	2014 HK\$	2015 HK\$	2015 HK\$
Within one year	1,083,144	1,441,494	501,998	366,074	965,624	1,329,671	478,194	350,903
In the second to fifth year inclusive	<u>2,215,846</u>	<u>2,003,366</u>	<u>350,681</u>	<u>182,000</u>	<u>2,097,967</u>	<u>1,931,215</u>	<u>342,209</u>	<u>179,183</u>
	3,298,990	3,444,860	852,679	548,074	3,063,591	3,260,886	820,403	530,086
Less: Future finance charges	<u>(235,399)</u>	<u>(183,974)</u>	<u>(32,276)</u>	<u>(17,988)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Present value of lease obligations	<u>3,063,591</u>	<u>3,260,886</u>	<u>820,403</u>	<u>530,086</u>	3,063,591	3,260,886	820,403	530,086
Less: Amount due for settlement within one year (shown under current liabilities)					<u>(965,624)</u>	<u>(1,329,671)</u>	<u>(478,194)</u>	<u>(350,903)</u>
Amount due shown under non-current liabilities					<u>2,097,967</u>	<u>1,931,215</u>	<u>342,209</u>	<u>179,183</u>

The Group leases certain of its plant and machinery under finance leases. The original lease term entered by the Group for the leases outstanding as at 31 March 2013, 31 March 2014, 31 March 2015 and 30 September 2015 are all ranged from 2 to 5 years. Interest rates underlying all obligations under finance leases as at 31 March 2013, 31 March 2014, 31 March 2015 and 30 September 2015 are fixed at respective contract dates ranging from 2% to 4% per annum, 2% to 4% per annum, 1.6% to 2.3% per annum and 2% to 2.3% per annum respectively.

The Group's obligations under finance leases are secured by the lessors' charge over the leased assets.

## 24. BORROWINGS

	As at 31 March			As at
	2013	2014	2015	30 September
	HK\$	HK\$	HK\$	2015
				HK\$
Secured borrowings	1,083,689	14,456,359	27,646,178	26,943,222
Unsecured borrowings	<u>2,061,736</u>	<u>2,953,751</u>	<u>1,364,293</u>	<u>550,055</u>
	<u>3,145,425</u>	<u>17,410,110</u>	<u>29,010,471</u>	<u>27,493,277</u>
	As at 31 March			As at
	2013	2014	2015	30 September
	HK\$	HK\$	HK\$	2015
				HK\$
Carrying amounts of borrowings that do not contain repayable on demand clause and are repayable based on the scheduled repayment dates set out in the loan agreements:				
Within one year	247,252	732,607	766,294	506,470
More than one year, but not more than five years	<u>836,437</u>	<u>1,634,466</u>	<u>868,171</u>	<u>305,564</u>
	<u>1,083,689</u>	<u>2,367,073</u>	<u>1,634,465</u>	<u>812,034</u>
Carrying amounts of borrowings that contain a repayable on demand clause (shown under current liabilities) and the maturity analysis based on the scheduled repayment set out in the loan agreements are:				
Within one year	2,061,736	4,302,535	11,229,909	15,430,630
More than one year, but not more than five years	<u>—</u>	<u>10,740,502</u>	<u>16,146,097</u>	<u>11,250,613</u>
	<u>2,061,736</u>	<u>15,043,037</u>	<u>27,376,006</u>	<u>26,681,243</u>
	3,145,425	17,410,110	29,010,471	27,493,277
Less: Amounts due within one year shown under current liabilities	<u>(2,308,988)</u>	<u>(15,775,644)</u>	<u>(28,142,300)</u>	<u>(27,187,713)</u>
Amounts shown under non-current liabilities	<u>836,437</u>	<u>1,634,466</u>	<u>868,171</u>	<u>305,564</u>

The fixed-rate and variable-rate borrowings at 31 March 2013, 31 March 2014, 31 March 2015 and 30 September 2015 carry interest ranging from 2.3% to 6.24% per annum, 1.6% to 3.25% per annum, 1.28% to 3.25% per annum and 1.28% to 3.01% per annum respectively.



## 25. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities (assets) recognised by the Group in respect of accelerated tax depreciation and movements thereon during the Relevant Periods:

	<b>Accelerated tax depreciation</b> <i>HK\$</i>	<b>Tax loss</b> <i>HK\$</i>	<b>Total</b> <i>HK\$</i>
At 1 April 2012	2,557,251	(321,686)	2,235,565
Charge to profit or loss	<u>2,993,413</u>	<u>321,686</u>	<u>3,315,099</u>
At 31 March 2013	5,550,664	—	5,550,664
Charge to profit or loss	<u>7,035,489</u>	<u>—</u>	<u>7,035,489</u>
At 31 March 2014	12,586,153	—	12,586,153
Charge to profit or loss	<u>4,257,619</u>	<u>—</u>	<u>4,257,619</u>
At 31 March 2015	16,843,772	—	16,843,772
Charge to profit or loss	<u>371,834</u>	<u>—</u>	<u>371,834</u>
At 30 September 2015	<u>17,215,606</u>	<u>—</u>	<u>17,215,606</u>

At 31 March 2013, 31 March 2014, 31 March 2015 and 30 September 2015, the Group has unused tax losses of approximately HK\$458,000, HK\$199,000, nil and nil respectively available for offset against future profits. No deferred tax asset has been recognised in respect of such unused tax losses due to the unpredictability of future profit streams.

The unused tax losses may be carried forward for three years. Unutilised tax losses will expire as follows:

	<b>As at 31 March</b>		<b>As at 30 September</b>	
	<b>2013</b> <i>HK\$</i>	<b>2014</b> <i>HK\$</i>	<b>2015</b> <i>HK\$</i>	<b>2015</b> <i>HK\$</i>
2015	<u>458,000</u>	<u>199,000</u>	<u>—</u>	<u>—</u>

## 26. ISSUED CAPITAL

The Company was incorporated in the Cayman Islands on 11 June 2015 with an authorised share capital of 380,000,000 shares of HK\$0.001 each. On 11 June 2015, 1 share of HK\$0.001 was allotted and credited as issued at par. On 21 July 2015, further 27,377,999 shares of HK\$0.001 each were issued in connection with the Group Reorganisation.

Issued capital of the Group as at 1 April 2012, 31 March 2013, 31 March 2014, 31 March 2015 represents the paid up capital of AP Rentals Limited, while issued capital of the Group as at 30 September 2015 represents the paid up capital of the Company.

## 27. RESERVES

The followings are the movements of the Company's reserves for the Relevant Periods:

	Share premium HK\$	Accumulated loss HK\$	Total HK\$
At 1 April 2015	—	—	—
Loss and total comprehensive expense for the period	—	(401,157)	(401,157)
Arising from reorganisation	<u>129,793,471</u>	<u>—</u>	<u>129,793,471</u>
At 30 September 2015	<u><u>129,793,471</u></u>	<u><u>(401,157)</u></u>	<u><u>129,392,314</u></u>

## 28. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in 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 throughout the Relevant Periods.

The capital structure of the Group consists of cash and cash equivalents, debts, amounts due to related companies and the Shareholder and equity attributable to owners of the Company, comprising issued capital, reserves and retained profits.

The directors of the Company review the capital structure periodically. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and new share issues.

## 29. FINANCIAL INSTRUMENTS

## a. Categories of financial instruments

	As at 31 March			As at 30 September
	2013 HK\$	2014 HK\$	2015 HK\$	2015 HK\$
<b>Financial assets</b>				
Held-to-maturity investments	356,236	356,236	—	4,982,815
Loans and receivables (including cash and cash equivalents)	<u>53,516,207</u>	<u>70,713,254</u>	<u>83,958,326</u>	<u>79,175,251</u>
<b>Financial liabilities</b>				
Amortised cost	<u>31,651,309</u>	<u>69,667,967</u>	<u>94,245,160</u>	<u>95,438,599</u>

**b. Financial risk management objectives and policies**

The major financial instruments of the Group include investments in bonds, deposit placed for a life insurance policy, trade receivables, amounts due from related companies, bank balances and cash, trade payables, amounts due to related companies and shareholder, dividend payable, borrowings and bank overdraft. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group and the Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

**Market risk**

*Currency risk*

Certain transactions of the Group are denominated in currencies which are different from the functional currencies of the group entities and therefore the Group is exposed to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure if necessary.

The carrying amounts of the foreign currency denominated monetary assets and monetary liabilities of the Group at the end of the reporting period are as follows:

	As at 31 March			As at 30 September
	2013	2014	2015	2015
	HK\$	HK\$	HK\$	HK\$
<b>Assets</b>				
Japanese Yen ("JPY")	553,050	1,169,221	2,410,856	1,044,365
United States dollars ("US\$")	82,178	2,660,200	15,172,094	4,259,435
Renminbi ("RMB")	900,130	31,217	634,431	5,605,507
Euro ("EUR")	—	—	932,669	24,866
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Liabilities</b>				
US\$	—	1,747,140	11,892,509	9,333,017
EUR	—	—	—	240,370
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

Sensitivity analysis

The following table details the sensitivity of the Group to a 5% increase and decrease in HK\$ against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit where the relevant currencies strength 5% against HK\$. For a 5% weakening of the relevant currencies strength 5% against HK\$, there would be an equal and opposite impact on the post-tax profit.

	As at 31 March			As at 30 September
	2013	2014	2015	2015
	HK\$	HK\$	HK\$	HK\$
JPY against HK\$	27,653	58,461	120,543	52,081
RMB against HK\$	45,007	1,561	31,722	279,696
EUR against HK\$	—	—	46,633	(10,775)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

For the monetary assets and liabilities denominated in US\$, since HK\$ is currently pegged to US\$, the management considers that the exchange rate fluctuation is not significant. Accordingly, no foreign currency sensitivity analysis is disclosed in the Financial Information in respect of the US\$.

#### *Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to fixed rate borrowings and investments in bonds. The management will take appropriate measures to manage interest rate exposure if interest rate fluctuates significantly. The management considers the fair value interest rate risk to the Group is insignificant.

The Group is also exposed to cash flow interest rate risk in relation to deposit placed for a life insurance policy, bank balances and variable-rate borrowings due to the fluctuation of the prevailing market interest rate. The Group's cash flow interest rate risk of variable-rate borrowings is mainly concentrated on the fluctuation of the banks' respective HK\$ Best Lending Rate from the Group's borrowings denominated in HK\$.

The Group has not entered into any interest rate hedging contracts or any other interest rate related derivative financial instruments. However, management monitors the Group's related interest rate exposure closely and will consider hedging significant interest rate exposure when the need arises.

No sensitivity analysis is presented as the risk is limited as assessed by the management.

#### **Credit risk**

The maximum exposure of the Group to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

The Group's credit risk is primarily attributable to its trade receivables. The Group is exposed to concentration of credit risk as a substantial portion of its trade receivables is generated from a limited number of customers. As at 31 March 2013, 31 March 2014, 31 March 2015 and 30 September 2015, the top five customers of the Group accounted for about 45%, 61%, 34% and 33% of its trade receivables respectively. In order to minimise the credit risk, the management of the Group had delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivable at the end of the 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.

The credit risk on liquid funds and deposit placed for a life insurance policy is limited because the counterparties are banks and financial institution with good reputation.

#### **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 operations of the Group, and mitigate the effects of fluctuations in cash flows.

As at 31 March 2014, 31 March 2015 and 30 September 2015, the Group's current liabilities exceeded its current assets by HK\$542,530, HK\$11,569,419 and HK\$22,790,910 respectively. The directors consider that the Group is able to mitigate the liquidity risk as the Group has obtained sufficient banking facilities subsequent to 30 September 2015 to support its operation and repayment of the amounts due to related companies and the Shareholder before the listing of the Company's shares on the Stock Exchange as well as other cash outflow commitments.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have 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. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

*Liquidity risk analysis*

	Weighted average interest rate %	On demand or less than 1 year HK\$	1 to 2 years HK\$	2 to 5 years HK\$	Total undiscounted cash flows HK\$	Carrying amounts HK\$
<b>31 March 2013</b>						
<i>Non-derivative financial liabilities</i>						
Trade and other payables	—	28,341,632	—	—	28,341,632	28,341,632
Amounts due to related companies	—	12,648	—	—	12,648	12,648
Dividend payable	—	151,604	—	—	151,604	151,604
Obligations under finance leases	2.33	1,083,144	911,190	1,304,656	3,298,990	3,063,591
Borrowings	2.82	2,289,908	289,908	603,975	3,183,791	3,145,425
		<u>31,878,936</u>	<u>1,201,098</u>	<u>1,908,631</u>	<u>34,988,665</u>	<u>34,714,900</u>
	Weighted average interest rate %	On demand or less than 1 year HK\$	1 to 2 years HK\$	2 to 5 years HK\$	Total undiscounted cash flows HK\$	Carrying amounts HK\$
<b>31 March 2014</b>						
<i>Non-derivative financial liabilities</i>						
Trade and other payables	—	46,088,889	—	—	46,088,889	46,088,889
Amount due to a shareholder	—	6,168,968	—	—	6,168,968	6,168,968
Obligations under finance leases	2.24	1,441,494	1,243,562	759,804	3,444,860	3,260,886
Borrowings	2.34	15,864,077	821,040	889,460	17,574,577	17,410,110
		<u>69,563,428</u>	<u>2,064,602</u>	<u>1,649,264</u>	<u>73,277,294</u>	<u>72,928,853</u>

	Weighted average interest rate %	On demand or less than 1 year HK\$	1 to 2 years HK\$	2 to 5 years HK\$	Total undiscounted cash flows HK\$	Carrying amounts HK\$
<b>31 March 2015</b>						
<i>Non-derivative financial liabilities</i>						
Trade and other payables	—	43,504,577	—	—	43,504,577	43,504,577
Amount due to a shareholder	—	21,730,112	—	—	21,730,112	21,730,112
Obligations under financial leases	2.24	501,998	305,181	45,500	852,679	820,403
Borrowings	2.34	<u>28,197,045</u>	<u>821,040</u>	<u>68,420</u>	<u>29,086,505</u>	<u>29,010,471</u>
		<u>93,933,732</u>	<u>1,126,221</u>	<u>113,920</u>	<u>95,173,873</u>	<u>95,065,563</u>
	Weighted average interest rate %	On demand or less than 1 year HK\$	1 to 2 years HK\$	2 to 5 years HK\$	Total undiscounted cash flows HK\$	Carrying amounts HK\$
<b>30 September 2015</b>						
<i>Non-derivative financial liabilities</i>						
Trade and other payables	—	46,217,537	—	—	46,217,537	46,217,537
Amounts due to related companies	—	224,351	—	—	224,351	224,351
Amount due to a shareholder	—	21,379,892	—	—	21,379,892	21,379,892
Obligations under financial leases	2.37	366,074	182,000	—	548,074	530,086
Borrowings	2.27	<u>27,212,376</u>	<u>309,829</u>	—	<u>27,522,203</u>	<u>27,493,277</u>
Bank overdraft	4.75	<u>123,542</u>	—	—	<u>123,542</u>	<u>123,542</u>
		<u>95,523,772</u>	<u>491,827</u>	<u>—</u>	<u>96,015,599</u>	<u>95,968,685</u>

The Group's borrowings with a repayment on demand clause are included in the "On demand or less than one year" time band in the above maturity analysis. At 31 March 2013, 31 March 2014, 31 March 2015 and 30 September 2015, the carrying amounts of these borrowings amounted to HK\$2,061,736, HK\$15,043,037, HK\$27,376,006 and HK\$26,681,243 respectively.

Taking into account the Group's financial position, the directors do not believe that it is probable that the counterparties will exercise their discretionary rights to demand immediate repayment. The directors believe that such borrowings will be repaid within five years after the end of each reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

	Maturity Analysis — Borrowings subject to a repayment on demand clause based on scheduled repayments				Carrying amounts HK\$
	Less than one year HK\$	1 to 2 years HK\$	2 to 5 years HK\$	Total undiscounted cash outflows HK\$	
31 March 2013	<u>2,097,945</u>	<u>—</u>	<u>—</u>	<u>2,097,945</u>	<u>2,061,736</u>
31 March 2014	<u>4,793,412</u>	<u>4,523,839</u>	<u>6,823,248</u>	<u>16,140,499</u>	<u>15,043,037</u>
31 March 2015	<u>12,113,094</u>	<u>8,619,309</u>	<u>8,220,814</u>	<u>28,953,217</u>	<u>27,376,006</u>
30 September 2015	<u>16,156,058</u>	<u>6,555,514</u>	<u>5,114,482</u>	<u>27,826,054</u>	<u>26,681,243</u>

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.

**c. Fair value measurements of financial instruments**

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and trade in active liquid markets are determined with reference to quoted bid prices; and
- the fair value of other financial assets and liabilities are determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

Except for held-to-maturity investments with fair value of approximately HK\$4,800,000 as of 30 September 2015 (which is derived from quoted bid prices (unadjusted) in active market for identical assets), the directors of the Company consider that the carrying amounts of other financial assets and liabilities recognised in the Financial Information approximate their fair values.

**30. OPERATING LEASE COMMITMENTS****The Group as lessee**

At the end of each reporting period, the Group had contracted for the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 March			As at
	2013	2014	2015	30 September
	HK\$	HK\$	HK\$	2015
				HK\$
Within one year	139,880	1,493,800	1,400,530	1,147,847
In the second to fifth years inclusive	—	1,448,000	251,333	30,000
Total	<u>139,880</u>	<u>2,941,800</u>	<u>1,651,863</u>	<u>1,177,847</u>

Operating lease payments represent rentals payable by the Group for certain of its office premises and vehicles. Leases are negotiated for an average of one to two years and rentals are fixed at the time of entering the respective leases.

**The Group as lessor**

Income earned from leasing of machinery during the years ended 31 March 2013, 31 March 2014 and 31 March 2015, and the six months ended 30 September 2014 and 30 September 2015 are HK\$119,422,150, HK\$143,657,197, HK\$161,659,460, HK\$78,895,332 (unaudited) and HK\$88,363,886 respectively. Leases are negotiated on a monthly basis.

At the end of the reporting period, the Group had contracted with customers for the following future minimum lease payments:

	As at 31 March			As at
	2013	2014	2015	30 September
	HK\$	HK\$	HK\$	2015
				HK\$
Within one year	<u>508,845</u>	<u>1,059,340</u>	<u>1,144,047</u>	<u>475,172</u>

**31. CAPITAL COMMITMENTS**

	As at 31 March			As at
	2013	2014	2015	30 September
	HK\$	HK\$	HK\$	2015
				HK\$
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided for in the consolidated Financial Information	<u>880,200</u>	<u>—</u>	<u>955,391</u>	<u>16,975,280</u>

**32. PLEDGE OF ASSETS**

Deposit placed for a life insurance policy at 31 March 2013, 31 March 2014, 31 March 2015 and 30 September 2015 of nil, HK\$2,359,539, HK\$2,437,504 and HK\$2,472,185 respectively, plant and machinery at 31 March 2013, 31 March 2014, 31 March 2015 and 30 September 2015 of HK\$1,216,146, HK\$14,247,977, HK\$28,334,008 and HK\$25,817,253 respectively, and investments in bonds at 30 September 2015 of HK\$3,769,782, have been pledged to secure the Group's borrowings as disclosed in note 24.



## 33. RELATED PARTY DISCLOSURES

During the Relevant Periods, the Group entered into the following transactions with related parties in which some directors have beneficial interests:

	Year ended 31 March						Six months ended 30 September					
	2013		2014		2015		2014		2015			
	Related companies in which Mr. Lau Pong Sing has beneficial interest	Related companies in which Ms. Chan Kit Mui, Lina has beneficial interest	Related companies in which Mr. Lau Pong Sing has beneficial interest	Related companies in which Ms. Chan Kit Mui, Lina has beneficial interest	Related companies in which Mr. Lau Pong Sing has beneficial interest	Related companies in which Ms. Chan Kit Mui, Lina has beneficial interest	Related companies in which Mr. Lau Pong Sing has beneficial interest	Related companies in which Ms. Chan Kit Mui, Lina has beneficial interest	Related companies in which Mr. Lau Pong Sing has beneficial interest	Related companies in which Ms. Chan Kit Mui, Lina has beneficial interest	Subsidiary A shareholder	Subsidiary of a shareholder
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
							(unaudited)		(unaudited)			
Hiring expense	—	—	—	—	—	—	—	—	—	—	—	29,952,393
Leasing income of machinery	2,240,998	849,274	2,334,123	842,995	478,952	171,334	259,327	171,334	345,174	—	—	—
Management fees paid	1,903,440	—	3,113,000	—	2,425,069	—	1,486,359	—	196,409	—	—	—
Operator income	—	—	—	—	—	42,120	—	42,120	—	—	—	—
Proceeds on disposal of property plant and equipment	1,196,510	—	1,357,000	—	220,000	—	220,000	—	—	—	—	—
Purchases	8,794,239	10,500	7,616,698	—	482,158	—	243,624	—	179,333	—	164,208	1,421,599
Sales of machine	105,000	—	—	—	—	—	—	—	—	—	—	—
Sales of parts	50,848	—	98,467	—	1,558	39,804	—	39,804	—	23,751	665,660	133,721
Other service income	—	—	—	—	—	—	—	—	—	—	46,612	639,926
Storage income	—	—	—	—	—	—	—	—	—	—	—	717,501
Transportation income	2,000	—	—	—	—	106,080	—	106,080	—	—	55,310	43,300

During the Relevant Periods, the Group's general banking facilities were secured by unlimited personal guarantee from a director of the Company.

Balance with related parties are disclosed in the consolidated statements of financial position and related notes.

The Company's key management personnel are the directors and their remunerations are included in the management fees paid above and disclosed in note 12.

## 34. NON-CASH TRANSACTIONS

During the years ended 31 March 2013 and 31 March 2014, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the finance leases of HK\$459,000 and HK\$2,635,411 respectively.

In addition, dividends payments of HK\$5,100,000/HK\$667,770, HK\$4,249,636/HK\$6,168,968 and HK\$3,425,810/HK\$16,574,190 made during the years ended 31 March 2013, 31 March 2014 and 31 March 2015 respectively are settled through the current accounts with related companies/shareholder.

**B. EVENTS AFTER THE REPORTING PERIOD**

The following events took place subsequent to 30 September 2015:

- (a) On 30 December 2015, an interim dividend in respect of the year ending 31 March 2016 of HK\$0.40178 per share amounting to HK\$11,000,000 was declared. The amount was fully paid on 26 February 2016.
- (b) On 17 March 2016, the authorised share capital of the Company was increased from HK\$380,000 divided into 380,000,000 ordinary shares of HK\$0.001 each to HK\$10,000,000 divided into 10,000,000,000 ordinary shares of HK\$0.001 each.

**C. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared for any of the companies comprising the Group subsequent to 30 September 2015.

Yours faithfully,

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

The information set out in this Appendix does not form part of the accountants' report on the financial information of the Group for the three years ended 31 March 2015 and the six months ended 30 September 2015 prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, our Company's Reporting Accountants, as set out in Appendix I to this Prospectus (the "Accountants' Report"), and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this Prospectus and the Accountants' Report set out in Appendix I to this Prospectus.

#### A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Global Offering on the audited consolidated net tangible assets of the Group as if the Global Offering had taken place on 30 September 2015.

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the financial position of the Group as at 30 September 2015 or any future date following the Global Offering.

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group is based on the audited consolidated net tangible assets of the Group as at 30 September 2015 as derived from the consolidated statement of financial position as at 30 September 2015 of the Group as set out in the Accountants' Report, the text of which is set out in Appendix I to this Prospectus, and adjusted as follows:

	Audited consolidated net tangible assets of the Group as at 30 September 2015 HK\$'000 Note 1	Estimated net proceeds from the Global Offering HK\$'000 Note 2	Unaudited pro forma adjusted consolidated net tangible assets of the Group HK\$'000 Note 3	Unaudited pro forma adjusted consolidated net tangible assets of the Group per Share HK\$
Based on a minimum Offer Price of HK\$0.60 per Offer Share	129,070	68,182	197,252	0.23
Based on a maximum Offer Price of HK\$0.75 per Offer Share	129,070	87,798	216,868	0.25

*Notes:*

- (1) The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 September 2015 are based on audited consolidated net assets of the Group attributable to the owners of the Company as at 30 September 2015 as set out in Appendix I to this Prospectus.
- (2) The estimated net proceeds from the Global Offering are based on 151,200,000 Shares to be issued at a minimum Offer Price of HK\$0.60 or a maximum Offer Price of HK\$0.75 per Offer Share, respectively, after deduction of the estimated underwriting fees and other related expenses expected to be incurred by the Group subsequent to 30 September 2015 and does not take into account of any Offer Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued or repurchased pursuant to the Company's general mandate.
- (3) The unaudited pro forma adjusted consolidated net tangible assets of the Group per Share is arrived at on the basis of 864,000,000 Shares in issue, assuming that 836,622,000 Shares to be issued pursuant to the Global Offering and Capitalisation Issue had been completed on 30 September 2015. It does not take into account of any Offer Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, or any Shares which may be issued or repurchased pursuant to the Company's general mandate.
- (4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 30 September 2015.

The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share does not take into account of dividend of HK\$11,000,000 declared on 30 December 2015. Assuming that the dividend of HK\$11,000,000 declared on 30 December 2015 had been taken into account, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share would have been HK\$0.22 and HK\$0.24 at the Offer Price of HK\$0.60 and HK\$0.75, respectively, which is calculated based on 864,000,000 shares in issue immediately following the completion of Global Offering and Capitalisation Issue.

**B. ASSURANCE REPORT FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of the assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this Prospectus.*

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS****To the Directors of AP Rentals Holdings Limited**

We have completed our assurance engagement to report on the compilation of pro forma financial information of AP Rentals Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma statement of adjusted net tangible assets as at 30 September 2015 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 24 March 2016 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the Global Offering on the Group's financial position as at 30 September 2015 as if the Global Offering had taken place at 30 September 2015. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the three years ended 31 March 2015 and the six months ended 30 September 2015, on which an accountants' report set out in Appendix I to the Prospectus has been published.

**Directors' Responsibilities for the Pro Forma Financial Information**

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants’ Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2015 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong, 24 March 2016

Set out below is a summary of certain provisions of the Memorandum and Articles of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 11 June, 2015 under the Companies Law. The Memorandum of Association and the Articles of Association comprise its constitution.

## 1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that 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) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

## 2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 17 March 2016 to take effect on the Listing Date. The following is a summary of certain provisions of the Articles:

### (a) Directors

#### (i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.



Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (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 with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

*(ii) Power to dispose of the assets of the Company or any subsidiary*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

*(iii) Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

*(iv) Loans and provision of security for loans to Directors*

There are provisions in the Articles prohibiting the making of loans to Directors.

*(v) Disclosure of interests in contracts with the Company or any of its subsidiaries.*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, 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 of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account

to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates (as defined in the Articles) is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/ themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) *Remuneration*

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration 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 may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

*(vii) Retirement, appointment and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the members may by ordinary resolution appoint another in his place

at the meeting at which such Director is removed. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) if he becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) 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;
- (ee) if he is prohibited from being a director by law; or
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

*(viii) Borrowing powers*

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 assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

*Note:* These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) *Proceedings of the Board*

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. 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 an additional or casting vote.

(x) *Register of Directors and Officers*

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of 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 sixty (60) days of any change in such directors or officers.

**(b) Alterations to constitutional documents**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

**(c) Alteration of capital**

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or

- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

**(d) Variation of rights of existing shares or classes of shares**

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths 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 will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The 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) Special resolution — majority required**

Pursuant to 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, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles (see paragraph 2(i) below for further details).

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution 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 corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.



**(f) Voting rights**

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, 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 fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the 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 shareholder in contravention of such requirement or restriction shall not be counted.

**(g) Requirements for annual general meetings**

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.



**(h) Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or 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 accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof 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 of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the Listing Rules, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

**(i) Notices of meetings and business to be conducted thereat**

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings (including an extraordinary general meeting) must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together representing not less than ninety-five per cent (95%) of the total voting rights at the meeting of all the members.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that 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 and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

**(j) Transfer of shares**

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

**(k) Power for the Company to purchase its own shares**

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

**(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company**

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

**(m) Dividends and other methods of distribution**

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest 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, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their 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 moneys 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.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

**(n) Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company 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. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

**(o) Call on shares and forfeiture of shares**

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

**(p) Inspection of register of members**

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

**(q) 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, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles 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.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

**(r) Rights of the minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

**(s) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

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, 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, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies 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. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**(t) Untraceable members**

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the Listing Rules giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (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.

**(u) Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is 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 a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.



### 3. CAYMAN ISLANDS COMPANIES LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

#### (a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. 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

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 of the 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 arrangement 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 (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

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 business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), 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, by special resolution reduce its share capital in any way.

The Articles includes 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**

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

Subject to the provisions of the Companies Law, 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 shareholder and the Companies Law expressly provides that 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. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. 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. 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.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a

right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, 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.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association 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 section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as 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 paragraph 2(m) above for further details).

**(f) Protection of minorities**

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder 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 or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the

shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

**(g) Management**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**(h) Accounting and auditing requirements**

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

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.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions 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:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 30 June, 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 executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

**(m) Inspection of corporate records**

Members of the Company will 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.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of 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 members, 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 of the Cayman Islands.

**(n) Winding up**

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, 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 the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby 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. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

**(o) Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

**(p) Compulsory acquisition**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder 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 shareholders.

**(q) 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, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

**4. GENERAL**

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands companies law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.



**A. FURTHER INFORMATION ABOUT OUR COMPANY****1. Incorporation**

Our Company was incorporated as an exempted company in the Cayman Islands under the Companies Law with limited liability on 11 June 2015. Our principal place of business is Unit 15, 19/F, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong and we were registered as an overseas company in Hong Kong under Part 16 of the Companies Ordinance on 17 July 2015. Ms. Chan has been appointed as our authorised representative in Hong Kong.

As we were incorporated in the Cayman Islands, we operate subject to Cayman Islands law and our constitution comprises the Memorandum and the Articles. A summary of various provisions of our constitution and relevant aspects of the Companies Law is set out in Appendix III to this prospectus.

**2. Changes in share capital of our Company**

On 11 June 2015, our Company was incorporated with limited liability in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 380,000,000 Shares of HK\$0.001 each. On the same day, one Share was issued, allotted and credited as fully paid to our Company's initial subscriber, which was subsequently transferred to Great Club House.

On 21 July 2015, our Company issued 27,377,999 Shares to Great Club House, in consideration of which Ms. Chan transferred all her interests in AP Rentals, to AP BVI.

On 12 August 2015, Great Club House transferred 13,962,780 Shares to New Club House at a nominal consideration of HK\$1.

On 13 August 2015, Great Club House transferred 2,488,934 Shares to Kanamoto Japan at par value.

In contemplation of the Global Offering, the authorised share capital of our Company increased from HK\$380,000 divided into 380,000,000 Shares of HK\$0.001 each to HK\$10,000,000 divided into 10,000,000,000 Shares of HK\$0.001 each, pursuant to the resolutions of our Shareholders passed on 17 March 2016.

On 17 March 2016, our Shareholders resolved that conditional upon the share premium account of our Company being credited as a result of the allotment and issue of the Offer Shares pursuant to the Global Offering, our Directors were authorised to capitalise an amount of HK\$685,422 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 685,422,000 Shares for allotment and issue to the Shareholders whose names appeared in the register of members of our Company at close of business on 17 March 2016.

Assuming that the Global Offering and the Capitalisation Issue become unconditional and the issue of Shares is made pursuant thereto without taking into account any Shares which may be allotted and issued upon any exercise of the Over-allotment Option and the options which have been or may be granted under the Share Option Scheme, the issued share capital of our Company immediately following the completion of the Global Offering and the Capitalisation Issue will be HK\$685,422 divided into 685,422,000 Shares, fully paid or credited as fully paid.

Save as aforesaid and as mentioned in “A. Further Information about our Company — 4. Extraordinary general meeting of our Shareholders on 17 March 2016” below, there has been no alternation in the share capital of our Company since the date of its incorporation.

### **3. Changes in share capital of our subsidiaries**

Our subsidiaries are listed in “History and Development — Our Group Companies” in this prospectus above. The following alterations in the share capital of our subsidiaries have taken place within the two years preceding the date of this prospectus:

#### *(a) AP BVI*

On 18 June 2015, AP BVI incorporated with limited liability in the BVI and is authorised to issue a maximum of 50,000 shares with a par value of US\$1.00 each.

On 21 July 2015, AP BVI issued and allotted 1 share to our Company in consideration of our Company directing the 27,380,000 shares in AP Rentals to be transferred to AP BVI.

#### *(b) AP Rentals*

On 21 July 2015, Ms. Chan transferred 27,380,000 shares in AP Rentals to AP BVI.

### **4. Extraordinary general meeting of our Shareholders on 17 March 2016**

At the extraordinary general meeting of our Shareholders on 17 March 2016, among others and in summary:

- (a) the Articles were adopted in substitution for and to the exclusion of the then existing articles of association of our Company with effect from the Listing Date;
- (b) conditional upon the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorised to capitalise the sum of HK\$685,422 (or any such amount any one Director may determine) and apply the same in paying up in full at par 685,422,000 Shares (or any such number of Shares any one Director may determine) for allotment and issue, on the Listing Date to the Shareholders whose names appeared on the register of members of our Company at the close of business on 17 March 2016 in proportion to their then existing shareholding in our Company and such Shares to be allotted and issued shall rank *pari passu* in all respects with existing issued shares;

- (c) conditional upon:
- (i) the Listing Committee of the Stock Exchange granting the approval of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering, the Capitalisation Issue, the Share Option Scheme and the Over-allotment Option and such approval not subsequently having been revoked prior to the commencement in dealing in the Shares on the Stock Exchange;
  - (ii) the final Offer Price having been fixed on the Price Determination Date;
  - (iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
  - (iv) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Joint Global Coordinators (acting for themselves and on behalf of the Underwriters)) and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
    - (A) the Global Offering and the Over-allotment Option as stated in and upon the terms set out in this prospectus were approved;
    - (B) the Listing was approved;
    - (C) the issue of 151,200,000 Offer Shares and up to an additional 22,680,000 Offer Shares upon exercise of the Over-allotment Option was approved; and
    - (D) the Share Option Scheme, the principal terms of which are set out in “— E. Share Option Scheme” in this Appendix, were approved and adopted and our Directors or any committee established by our Board were authorised, at their sole discretion, to (aa) administer the Share Option Scheme; (bb) modify/amend the Share Option Scheme from time to time as required by the Stock Exchange; (cc) grant options to subscribe for Shares under the Share Option Scheme before up to the limits referred to in the Share Option Scheme; (dd) allot, issue and deal with the Shares pursuant to the exercise of any option which may be granted under the Share Option Scheme; (ee) make application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any Shares or any part thereof that may hereafter from time to time be issued and allotted pursuant to the exercise of the options granted under the Share Option Scheme; and (ff) take all such actions as they consider necessary, desirable or expedient to implement or give effect to the Share Option Scheme.

- (d) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of a dividend on Shares in accordance with the Articles, or pursuant to the exercise of any options which have been granted under the Share Option Scheme or other arrangements regulated by Chapter 17 of the Listing Rules or any specific authority granted by our Shareholders in general meetings, Shares with an aggregate nominal amount not exceeding 20% of the entire issued share capital of our Company immediately following completion of the Global Offering and the Capitalisation Issue, such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next general meeting of our Company is required by the Articles or any applicable law of the Cayman Islands to be held, or the passing of an ordinary resolution of the Shareholders in a general meeting revoking, varying or renewing such mandate, whichever is the earliest;
- (e) a general unconditional mandate was given to our Directors to exercise all powers of our Company to buy back Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, with a total nominal value of not more than 10% of the entire issued share capital of our Company immediately following completion of the Capitalisation Issue and the Global Offering until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable law of the Cayman Islands to be held, or the passing of an ordinary resolution of the Shareholders in a general meeting revoking, varying or renewing such mandate whichever is the earliest;
- (f) the extension of the general mandate to allot, issue and deal with the Shares as mentioned in sub-paragraph (d) by the addition to the aggregate nominal value of the Shares of our Company which may be allotted and issued or agreed (conditionally or unconditionally) to be allotted or issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the number of Shares of our Company repurchased by our Company pursuant to subparagraph (e) above;
- (g) the authorised share capital of our Company was increased from HK\$380,000 divided into 380,000,000 Shares of HK\$0.001 each to HK\$10,000,000 divided into 10,000,000,000 Shares of HK\$0.001 each; and
- (h) the Memorandum was adopted in substitution for and to the exclusion of the existing memorandum of association of our Company with immediate effect.

Immediately following the Global Offering becoming unconditional and the issue of Shares as mentioned herein being made, the authorised share capital of our Company will be HK\$10,000,000 divided into 10,000,000,000 Shares and the issue share capital will be HK\$864,000 divided into 864,000,000 Shares, all fully paid or credited as fully paid and 9,136,000,000 Shares will remain unissued.

## 5. Reorganisation

In preparation for the listing of the Shares on the Stock Exchange, the companies comprising our Group underwent the Reorganisation and our Company became the holding company of our Group. Our Reorganisation involved the following major steps:

- (1) ***Incorporation of our Company:*** On 11 June 2015, our Company was incorporated with limited liability in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 380,000,000 Shares of HK\$0.001 each. On the same day, one share was issued and credited as fully paid to our Company's initial subscriber, and was subsequently transferred to Great Club House.
- (2) ***Incorporation of AP BVI:*** On 18 June 2015, AP BVI was incorporated with limited liability in the BVI and is authorised to issue a maximum of 50,000 shares with a par value of US\$1.00 each. On the same day, one share was issued and credited as fully paid to our Company.
- (3) ***Share Swap of our Group companies:*** On 21 July 2015, Ms. Chan and our Company entered into the Share Swap Agreement to implement part of our Reorganisation, pursuant to which our Company issued 27,377,999 Shares to Great Club House, in consideration of which Ms. Chan transferred all her interests in AP Rentals, to AP BVI. In consideration of our instructions to Ms. Chan to transfer all her interests in AP Rentals to AP BVI, AP BVI issued and allotted one share in AP BVI to us.
- (4) ***Transfer of Shares:*** In preparation for the Listing, on 12 August 2015, for the sole purpose of formalising and reflecting the historical arrangement between Mr. Lau and Ms. Chan (whereby they jointly controlled our Group), Ms. Chan (through Great Club House) transferred 13,962,780 Shares to Mr. Lau (to be held by New Club House) at a nominal consideration of HK\$1.

Our Directors confirmed that there was no change in the actual control and respective roles of Mr. Lau and Ms. Chan due to such transfer and during the year ended 31 March 2015.

- (5) ***Pre-IPO Investment:*** On 13 August 2015, Ms. Chan (through Great Club House) transferred 2,488,934 Shares to Kanamoto Japan at par value, i.e. a consideration of HK\$2,488,934. Please see the section "History and Development — Pre-IPO Investment" for further information.

- (6) ***Increase Our Authorised Share Capital:*** In contemplation of the Global Offering, the authorised share capital of our Company increased from HK\$380,000 divided into 380,000,000 Shares of HK\$0.001 each to HK\$10,000,000 divided into 10,000,000,000 Shares of HK\$0.001 each, pursuant to the resolutions of our Shareholders passed on 17 March 2016.

Please see the section “History and Development — Our Reorganisation” in this prospectus for more details of the Reorganisation arrangements undergone by our Group in preparation for the Listing.

## **6. Buy-back by our Company of its own securities**

The Listing Rules permit companies with a primary listing on the Stock Exchange to buy back their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

### *(a) Shareholders’ approval*

All proposed buy-back of securities (which must be fully paid up in the case of shares) on the Stock Exchange 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 special approval of a particular transaction. Our Company’s sole listing will be on the Stock Exchange.

*Note:* Pursuant to a resolution in writing passed by the Shareholders of our Company on 17 March 2016 a general unconditional mandate (the “**Buy-back Mandate**”) was given to our Directors authorising any repurchase by our Company of Shares on the Stock Exchange, or on any other stock exchange on which the Shares may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal value of our entire issued share capital immediately following the completion of the Global Offering at the Capitalisation Issue, such mandate to 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 applicable laws of the Cayman Islands to be held, or when revoked or varied by ordinary resolution of the shareholders of our Company, whichever shall first occur.

Under the Listing Rules and the Companies Ordinance, the shares which are proposed to be purchased by a company must be fully paid up.

### *(b) Reasons for buy-backs*

Our Directors believe that it is in the best interests of our Company and our Shareholders as a whole to have general authority from the Shareholders of our Company to buy back Shares in the market. Such buy-backs may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value and the assets of our Company and/or the earnings per Share and will only be made when our Directors believe that such buy-backs will benefit our Company and the Shareholders of our Company as a whole.

(c) *Funding of buy-backs*

In buying-back securities, our Company may only apply funds legally available for such purpose in accordance with our Memorandum and Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of our current financial position as disclosed in this prospectus and taking into account our current working capital position, our Directors consider that, if the Buy-back Mandate was to be exercised in full, it might have a material adverse effect on our working capital and/or the gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Buy-back Mandate to such extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate to our Group.

(d) *General*

None of our Directors or, any of their associates currently intends to sell Shares to our Company or the subsidiaries of our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buy-back Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

No connected person has notified us that he has a present intention to sell Shares to our Company, or has undertaken to do so.

No purchase of Shares has been made by our Company since the date of our incorporation.

If as a result of a securities buy-back a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, the Shareholder or a group of the Shareholders of our Company acting in concert could obtain or consolidate our Company's control and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code and the provision may apply as a result of any such increase. Our Directors are not aware of any consequences of buy-backs which would arise under the Takeovers Code.

(e) *Share capital*

Exercise in full of the Buy-back Mandate, on the basis of 864,000,000 Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue could accordingly result in up to 86,400,000 Shares being bought back by our Company during the course of the period prior to the date on which such Buy-back Mandate expires or terminates as mentioned in "A. Further information about our Company — 4. Extraordinary general meeting of our Shareholders on 17 March 2016" in this Appendix above.



## B. FURTHER INFORMATION ABOUT THE BUSINESS

### 1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by our Group within the two years preceding the date of this prospectus and are, or may be, material:

- (a) the Deed of Non-Competition;
- (b) the Deed of Indemnity; and
- (c) the Hong Kong Underwriting Agreement.

### 2. Our material intellectual property rights







Set out below is a summary of our material intellectual property rights. Our material intellectual property rights were determined by our Directors on the basis of their materiality to our business operation, financial position and prospects.

#### (a) Trademark

As at the Latest Practicable Date, we were the registered owner of the following trademarks which we believe are material to our business:

Trademark	Place of Registration	Class	Registration Number	Registration Date	Expiry Date
亞積邦	Hong Kong	42	199502251	31/10/1992	31/10/2023
亞積邦	Hong Kong	37	199502252	31/10/1992	31/10/2023

As at the Latest Practicable Date, we have applied for registration of the following trademarks which we believe are material to our business:

Trademark	Place of Registration	Class	Application Number	Application Date
	Hong Kong	7, 35, 37, 40	303546315	23/09/2015
	Macau	7, 37	—	24/11/2015
	Hong Kong	7, 35, 37, 40	303546306	23/09/2015
	Macau	7, 37	—	24/11/2015
	Hong Kong	7, 35, 37, 40	303603294	19/11/2015
	Hong Kong	7, 35, 37, 40	303603302	19/11/2015
AP RENTALS	Hong Kong	7, 35, 37, 40	303577672	27/10/2015



*(b) Domain names*

As at the Latest Practicable Date, we were the registered owner of the following domain name which we believe is material to our business:

<b>Domain Name</b>	<b>Expiry Date (DD-MM-YYYY)</b>
http://www.aprentalshk.com	3/7/2020

The contents of this website, registered or licensed, do not form part of this prospectus.

**C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS****1. Particulars of Directors' service agreements**

Each of our executive Directors has entered into a service agreement with our Company for an initial term of three years, commencing from 8 April 2016 (subject to termination in certain circumstances as stipulated in the relevant service agreement).

The annual remuneration and benefits in kind payable to our executive Directors by our Group (excluding any discretionary bonus) is as follows:

<b>Executive Director</b>	<b>Remuneration (per annum)</b>
Mr. Lau	HK\$2,658,000
Ms. Chan	HK\$2,667,600

Our non-executive Director and each of our independent non-executive Directors has signed a letter of appointment with our Company for an initial term of three years, commencing from the Listing Date (subject to termination in certain circumstances as stipulated in the relevant service agreement).

The annual remuneration payable to our non-executive Director and each of our independent non-executive Directors under the relevant letter of appointment is as follows:

<b>Non-executive Director</b>	<b>Remuneration (per annum)</b>
Mr. Kitagawa Ken	HK\$nil

<b>Independent non-executive Director</b>	<b>Remuneration (per annum)</b>
Ir. Dr. Ho Chung Tai Raymond	HK\$600,000
Mr. Siu Chak Yu	HK\$240,000
Mr. Li Ping Chi	HK\$240,000

All of our Directors are covered by the directors' and officers' liability insurance purchased by our Company.

## 2. Directors' remuneration

The aggregate remunerations paid to our Directors in respect of the financial year ended 31 March 2015 were HK\$1.0 million. In addition, Directors' emoluments of HK\$1.6 million for the financial year ended 31 March 2015 were borne by a related company and charged to the Group through management fee paid to that related company. The aggregate remunerations and benefits in kind which our Directors are entitled to receive for the financial year ending 31 March 2016 are estimated to be HK\$3.4 million, excluding any discretionary bonuses which may be paid to our Directors.

## 3. Interests of Directors and chief executive in our share capital

Immediately following completion of the Global Offering and the Capitalisation Issue, the interests and short positions of the Directors and chief executive of our Company in the Shares, underlying Shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO), which, once the Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, will be as follows:

### (i) Shares

Name of Director	Capacity/Nature of interest	Number of Shares <sup>(note 1)</sup>	Approximate percentage of shareholding
Mr. Lau <sup>(2), (4)</sup>	Interest in a controlled corporation	363,528,000 (L)	42.075%
	Interest of spouse	284,471,352 (L)	32.925%
Ms. Chan <sup>(3), (5)</sup>	Interest in a controlled corporation	284,471,352 (L)	32.925%
	Interest of spouse	363,528,000 (L)	42.075%

Notes:

(1) The letter "L" denotes long position of the directors in the Shares.

- (2) Our Company will be directly owned as to 42.075% by New Club House immediately upon the completion of the Global Offering and the Capitalisation Issue. By virtue of his 100% shareholding in New Club House, Mr. Lau is deemed to be interested in the same number of Shares held by New Club House.
- (3) Our Company will be directly owned as to 32.925% by Great Club House immediately upon the completion of the Global Offering and the Capitalisation Issue. By virtue of her 100% shareholding in Great Club House, Ms. Chan is deemed to be interested in the same number of Shares held by Great Club House.
- (4) Mr. Lau is the spouse of Ms. Chan. Under the SFO, Mr. Lau is deemed to be interested in the same number of Shares in which Ms. Chan is interested.
- (5) Ms. Chan is the spouse of Mr. Lau. Under the SFO, Ms. Chan is deemed to be interested in the same number of Shares in which Mr. Lau is interested.

#### 4. Substantial shareholders

So far as our Directors are aware, immediately following the completion of the Global Offering and the Capitalisation Issue (but without taking into account any Shares which may be allotted and issued upon any exercise of the Over-allotment Option and the options which have been or may be granted under the Share Option Scheme), in addition to our Directors as disclosed in “3. Interests of Directors and chief executive in our share capital” above, the following persons will have an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to our Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholders	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
New Club House	Beneficial interest	363,528,000 (L)	42.075%
Great Club House	Beneficial interest	284,471,352 (L)	32.925%
Kanamoto Japan	Beneficial interest	64,800,648 (L)	7.5%

#### 5. Disclaimers

Except as disclosed in this prospectus:

- (a) none of our Directors or any of the experts referred to in “E. Other information — 8. Consents of experts” in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have been within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be so acquired, disposed of or leased;

- (b) none of our Directors or any of the experts referred to in “E. Other information — 8. Consents of experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date to this prospectus which is significant in relation to our business;
- (c) none of the experts referred to in “E. Other information — 8. Consents of experts” in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group, save in connection with the Underwriting Agreements, nor is in the employment of an officer of our Company; and
- (d) none of our Directors, any of their associates (as defined in the Listing Rules) or any Shareholder of our Company (which to the knowledge of our Directors owns more than 5% of the issued share capital of our Company) has any interest in any of our Group’s five largest suppliers or five largest customers.

#### **D. SHARE OPTION SCHEME**

##### **Share Option Scheme**

Application has been made to the Listing Committee for the listing of and permission to deal in 86,400,000 Shares, representing 10% of our Company’s issued share capital as at the Listing Date, which may fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme. As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

The following is a summary of the principal terms of the Share Option Scheme adopted pursuant to the extraordinary general meeting of all the Shareholders our Company on 17 March 2016 and adopted by a Board meeting on 17 March 2016. The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules:

##### *1. Purpose of the Share Option Scheme*

- (a) The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions that Eligible Participants (as defined below) had made or may make to our Group.
- (b) The Share Option Scheme will provide the Eligible Participants with an opportunity to acquire proprietary interests in our Company with the view to achieving the following principal objectives:
  - (i) motivate the Eligible Participants to optimise their performance and efficiency for the benefit of our Group; and
  - (ii) 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.

- (c) For the purpose of the Share Option Scheme, “Eligible Participant” means any person who satisfies the eligibility criteria in paragraph 2 below.

2. *Who may join and basis for determining eligibility*

- (a) Our Board may at its discretion grant options to: (i) any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or a company in which our Group holds an interest or a subsidiary of such company (“**Affiliate**”); or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or an Affiliate; or (iii) a company beneficially owned by any director, employee, consultant, professional, customer, supplier, agent, partner, adviser of or contractor to our Group or an Affiliate.
- (b) In order for a person to satisfy our Board that he/she/it is qualified to be (or, where applicable, continues to qualify to be) an Eligible Participant, such person shall provide all such information as the Board may request for the purpose of assessing his/her/its eligibility (or continuing eligibility).
- (c) Each grant of options to a connected person (as defined in the Listing Rules) of our Company, or any of his associates (as defined in the Listing Rules), must be approved in accordance with the requirements of the Listing Rules.
- (d) Should our Board resolve that a grantee fails/has failed or otherwise is/has been unable to meet the continuing eligibility criteria under the Share Option Scheme, our Company would (subject to any relevant laws and regulations) be entitled to deem any outstanding option or part thereof, granted to such grantee and to the extent not already exercised, as lapsed, subject to the requirements in paragraph 9 below.

3. *Grant of options*

- (a) On and subject to the terms of the Share Option Scheme, our Board shall be entitled at any time on a business day within ten years commencing on the effective date of the Share Option Scheme to offer the grant of an option to any Eligible Participant as our Board may in its absolute discretion select in accordance with the eligibility criteria set out in the Share Option Scheme. An offer shall be accepted when we receive the duly signed offer letter together with a non-refundable payment of HK\$1.00 (or such other sum in any currency as our Board may determine).

- (b) Subject to the provisions of the Share Option Scheme, the Listing Rules and any relevant laws and regulations, our Board may, on a case by case basis and at its discretion when offering the grant of an option, impose any conditions, restrictions or limitations in relation thereto additional to those expressly set forth in the Share Option Scheme as it may think fit (which shall be stated in the letter containing the offer of the grant of the option) including (without prejudice to the generality of the foregoing):
- (i) the continuing eligibility of the grantee under the Share Option Scheme, and in particular, where our Board resolves that the grantee has failed or otherwise is or has been unable to meet the continuing eligibility criteria, the option (to the extent it has not already been exercised) shall lapse, subject to the requirements in paragraph 9 below;
  - (ii) the continuing compliance of any such terms and conditions that may be attached to the grant of the option, failing which the option (to the extent that it has not already been exercised) shall lapse unless otherwise resolved to the contrary by our Board, subject to the requirements in paragraph 9 below;
  - (iii) in the event that the Eligible Participant is a corporation, that any change of the management and/or shareholding of the Eligible Participant shall constitute a failure to meet the continuing eligibility criteria under the Share Option Scheme;
  - (iv) in the event that the Eligible Participant is a trust, that any change of the beneficiary of the Eligible Participant shall constitute a failure to meet the continuing eligibility criteria under the Share Option Scheme;
  - (v) in the event that the Eligible Participant is a discretionary trust, that any change of the discretionary objects of the Eligible Participant shall constitute a failure to meet the continuing eligibility criteria under the Share Option Scheme;
  - (vi) conditions, restrictions or limitations relating to the achievement of operating or financial targets; and
  - (vii) if applicable, the satisfactory performance of certain obligations by the grantee.
- (c) Our Board shall not offer the grant of an option to any Eligible Participant:
- (i) after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been announced pursuant to the relevant requirements of the Listing Rules; or

(ii) within the period commencing one month immediately preceding the earlier of:

- (1) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (2) deadline for our Company to publish an announcement of its result for any year, 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. The period during which no option may be granted will cover any period of delay in the publication of a results announcement.

- (d) Any grant of options to a connected person must be approved by all of our Company's independent non-executive Directors (excluding any independent non-executive Director who is a proposed grantee).

#### *4. Exercise Price*

The exercise price for any Share under the Share Option Scheme shall be a price determined by our Board and notified to each grantee and shall be not less than the highest of (i) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the date of grant of the relevant option, which must be a business day, (ii) an amount equivalent to the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the relevant option and (iii) the nominal value of a Share on the date of grant. The exercise price shall also be subject to any adjustments made in a situation contemplated under paragraph 10 below.

#### *5. Maximum number of Shares*

- (a) The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes must not, in aggregate, exceed 30% of the issued share capital of our Company from time to time. No options may be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the said 30% limit being exceeded.
- (b) The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes involving the issue or grant of options or similar rights over Shares or other securities by our Company shall not, in aggregate, exceed 10% of the issued share capital of our Company as at the Listing Date (without

taking into account the Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option and the options which may be or have been granted under the Share Option Scheme) (the “**Scheme Mandate Limit**”) unless Shareholders’ approval has been obtained pursuant to sub-paragraph (d) below.

- (c) 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 issued share capital of our Company as at the date of the approval of such renewal by the shareholders of our Company in general meeting. Upon such renewal, all options granted under the Share Option Scheme and any other share options schemes of our Company (including those exercised, outstanding, cancelled, lapsed in accordance with the Share Option Scheme or any other share options of our Company) prior to the approval of such renewal shall not be counted for the purpose of calculating the Scheme Mandate Limit. A circular must be sent to the Shareholders of our Company containing such relevant information from time to time as required by the Listing Rules.
- (d) Our 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 the Shareholders of our Company 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.
- (e) No option may be granted to any Eligible Participant which, if exercised in full, would result in the total number of 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 the twelve-month period up to and including the date of such new grant exceeding 1% in aggregate of the issued share capital of our Company as at the date of such grant. Any grant of further share options above this limit shall be subject to certain requirements provided under the Listing Rules.
- (f) The maximum number of Shares referred to in sub-paragraph (a) shall be adjusted, in such manner as our Company’s auditors or our Company’s independent financial adviser shall confirm in writing that the adjustments satisfy the requirements set forth in paragraph 10.



6. *Time of exercise of option*

- (a) Subject to certain restrictions contained in the Share Option Scheme, an option may be exercised in accordance with the terms of the Share Option Scheme and the terms of grant thereof at any time during the applicable option period, which is not more than ten years from the date of grant of option.
- (b) There is no general requirement on the minimum period for which an option must be held or the performance targets which must be achieved before an option can be exercised under the terms of the Share Option Scheme. However, at the time of granting any option, our Board may, on a case by case basis, make such grant subject to such conditions, restrictions or limitations including (without limitation) those in relation to the minimum period of the options to be held and/or the performance targets to be achieved as our Board may determine in its absolute discretion.

7. *Rights are personal to grantee*

An option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option.

8. *Rights on ceasing to be an Eligible Participant*

Should our Board resolve that a grantee fails/has failed or otherwise is/has been unable to meet the continuing eligibility criteria under the Share Option Scheme, our Company would (subject to any relevant laws and regulations) be entitled to deem any outstanding option or part thereof, granted to such grantee and to the extent not already exercised, as lapsed, subject to the requirements of paragraph 9 below.

9. *Rights on death/ceasing employment*

- (a) If the grantee (being an individual) dies before exercising the option in full, his or her legal personal representative(s) may exercise the option up to the grantee's entitlement (to the extent exercisable as at the date of his death and not exercised) within a period of twelve months following his death or such longer period as our Board may determine.
- (b) Subject to sub-paragraphs (c) and (d), if the grantee who is an employee ceases to be an employee for any reason other than his death, disability or the termination of his employment on one or more of the following grounds that:
  - (i) there is unsatisfied judgment, order or award outstanding against the grantee or our Company has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his debts;

- (ii) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in sub-paragraph (i) above;
- (iii) a bankruptcy order has been made against the grantee in any jurisdiction; or
- (iv) a petition for bankruptcy has been presented against the grantee in any jurisdiction;

the grantee may exercise the option (to the extent exercisable as at the date of the relevant event and not exercised) within 30 days following the date of such cessation.

- (c) If the grantee is an employee, director, consultant, professional, agent, partner, advisor of or contractor to our Group or its Affiliate at the time of the grant of the relevant option(s) and his employment or service to our Company is terminated on the ground of disability, the grantee may exercise the option (to the extent exercisable as at the date on which such grantee ceases to be an employee, director, consultant, professional, agent, partner, advisor of or contractor to our Group or its Affiliate and not exercised) within six months following such cessation or such longer period as our Board may determine.
- (d) If the grantee is an employee at the time of the grant of the relevant option(s), in the event that such grantee shall cease to be an employee but becomes, or continues to be, a consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or an Affiliate, then the option (to the extent exercisable as at the date on which such grantee ceases to be an employee and not exercised) shall be exercised within three months following the date of such cessation or such longer period as our Board may determine.
- (e) If the grantee is an employee at the time of the grant of the relevant option(s), in the event that such grantee shall cease to be an employee but becomes, or continues to be, a director of our Group or an Affiliate, then the option(s) (to the extent exercisable as at the date on which such grantee ceases to be an employee and not exercised) granted prior to the date of his becoming a director of our Group or its Affiliate shall remain exercisable until its expiry in accordance with the provisions of the Share Option Scheme and the terms and conditions upon which such option(s) is granted unless our Board shall determine to the contrary.
- (f) If the grantee, who is a director, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or an Affiliate but not an employee, ceasing to be a director, consultant, customer, supplier, agent, partner or adviser of or contractor to our Group or an Affiliate (as the case may be) for any reason other than his death (in the

case of a grantee being an individual) or disability (in the case of a grantee being a director or consultant of our Group or its Affiliate), the option (to the extent exercisable as at the date of such cessation and not exercised) shall be exercised within 30 days following the date of such cessation or such longer period as the Board may determine.

*10. Effects of alterations to capital*

In the event of any alteration in our capital structure while an option remains exercisable, and such event arises from, including a capitalisation of our Company profits or reserves, rights issue, consolidation, reclassification, subdivision or reduction of the share capital of our Company, such corresponding alterations (if any) shall be made to the number or nominal amount of Shares subject to the options 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 give a grantee the same proportion of the equity capital as that to which that grantee was previously entitled, but no such adjustments may be made to the extent that Shares would be issued at less than their nominal value or (unless with the prior approval from our shareholders in general meeting) to the extent that such adjustments are made to the advantage of the grantee. 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, independent financial adviser appointed by our Company or our Company's auditors must confirm to our Directors in writing that the adjustments satisfy the requirements set out in this paragraph.

*11. Rights on a Takeover*

If a general offer (whether by way of takeover 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) and such offer becomes or is declared unconditional (within the meaning of the Takeovers Code), the grantee shall be entitled to exercise the option (to the extent exercisable as at the date on which the general offer becomes or is declared unconditional and not exercised) in full or in part at any time within one month after the date on which the offer becomes or is declared unconditional (within the meaning of the Takeovers Code).

*12. Rights on a Scheme of Arrangement*

In the event of a compromise or arrangement between us and our members or creditors being proposed in connection with a scheme for reconstruction or amalgamation of our Company (other than any relocation schemes as contemplated in Rule 7.14(3) of the Listing Rules), we shall give notice thereof to all grantees on the same date as it gives notice of the meeting to our members or creditors to consider such a scheme of arrangement, and thereupon the grantee may, by notice in writing to our Company accompanied by the remittance for the total exercise price payable in

respect of the exercise of the relevant option (such notice to be received by our Company not later than two business days (excluding any period(s) of closure of our share registers) prior to the proposed meeting) exercise the option (to the extent exercisable as at the date of the notice to the grantee and not exercised) either in full or in part and we shall, as soon as possible and in any event no later than the business day (excluding any period(s) of closure of our 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 credited as fully paid and registered the grantee as holder thereof.

*13. Rights on a Voluntary Winding up*

In the event notice is given by us to our Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up us, we shall forthwith give notice thereof to the grantee and the grantee may, by notice in writing to our Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant option (such notice to be received by our Company not later than two business days (excluding any period(s) of closure of our share registers) prior to the proposed meeting) exercise the option (to the extent exercisable as at the date of the notice to the grantee and not exercised) either in full or in part and we shall, as soon as possible and in any event no later than the business day (excluding any period(s) of closure of our 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.

*14. Rights attaching to Shares upon exercise of an option*

Shares allotted upon the exercise of an option shall rank pari passu in all respects with the existing fully paid Shares in issue at the date of allotment.

*15. Lapse of options*

An option (to the extent such option has not already been exercised) shall lapse and not be exercisable on the earliest of:

- (a) the expiry of the exercise period;
- (b) the expiry of the periods referred to in paragraph 9;
- (c) the date of commencement of our Company's winding-up in respect of the situation contemplated in paragraph 13;
- (d) the date when the proposed compromise or arrangement becomes effective in respect of the situation contemplated in paragraph 12;

- (e) the date of which the grantee who is an employee ceases to be an employee by reason of the termination of his employment on the grounds that he has been guilty of serious misconduct or has been convicted of any criminal offence involving his integrity or honesty;
- (f) the happening of any of the following events, unless otherwise waived by our Board:
  - (i) any liquidator, provisional liquidator, receiver or any person carrying out any similar function has been appointed anywhere in the world in respect of the whole or any part of the asset or undertaking of the grantee (being a corporation);
  - (ii) the grantee (being a corporation) has ceased or suspended payment of its debts, become unable to pay its debts (within a meaning of section 178 of the Companies Ordinance or any similar provisions under the Companies Law) or otherwise become insolvent;
  - (iii) there is unsatisfied judgment, order or award outstanding against the grantee or our Company has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/her/its debts;
  - (iv) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in sub-paragraphs (i), (ii) and (iii) above;
  - (v) a bankruptcy order has been made against the grantee or any director of the grantee (being a corporation) in any jurisdiction; or
  - (vi) a petition for bankruptcy has been presented against the grantee or any director of the grantee (being a corporation) in any jurisdiction;
- (g) the date on which a situation as contemplated under paragraph 7 arises;
- (h) the date on which the grantee commits a breach of any terms or conditions attached to the grant of the option, unless otherwise resolved to the contrary by our Board; or
- (i) the date on which our Board resolves that the grantee has failed or otherwise is or has been unable to meet the continuing eligibility criteria as may be prescribed pursuant to paragraph 8.

*16. Cancellation of options granted*

Our 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 Shares in the authorised share capital of our Company, and available ungranted options (excluding for this purpose all the cancelled options) within the limits referred to in paragraph 5.

*17. Period of the Share Option Scheme*

Options may be granted to Eligible Participants under the Share Option Scheme during the period of ten years commencing on the effective date of the Share Option Scheme.

*18. Alteration to Share Option Scheme and Termination*

- (a) The Share Option Scheme may be altered in any respect by resolution of our Board except those specific provisions relating to matters in Rule 17.03 of the Listing Rules (or any other relevant provisions of the Listing Rules from time to time applicable) be altered to the advantage of grantees or prospective grantees except with the prior approval of the Shareholders of our Company in general meeting.
- (b) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature must be approved by the Shareholders of our Company in general meeting, except where such alterations take effect automatically under the existing terms of the Share Option Scheme.
- (c) We by resolution in general meeting or our Board may at any time terminate the operation of the Share Option Scheme and in such event, no further options will be offered but the provisions of the Share Option Scheme shall remain in force in all other respects.

*19. Conditions of the Share Option Scheme*

The Share Option Scheme shall take effect subject to the passing of the necessary resolution to adopt the Share Option Scheme by our Shareholders in a special general meeting of our Company and is conditional upon the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, any Shares to be issued and allotted by our Company pursuant to the exercise of options in accordance with the terms and conditions of the Share Option Scheme.

*20. Administration of the Share Option Scheme*

The Share Option Scheme shall be subject to the administration of our Board or any committee established by our Board from time to time, whose decision (save as otherwise provided in the Share Option Scheme) shall be final and binding on all parties.

**E. OTHER INFORMATION****1. Estate duty**

We have been advised that no material liability for estate duty is likely to fall on us or any of our subsidiaries and that the Cayman Islands currently have no estate duty, inheritance tax or gift tax.

**2. Indemnities given by Mr. Lau and Ms. Chan**

Under the Deed of Indemnity, Mr. Lau and Ms. Chan, each being a Controlling Shareholder (together the “**Indemnifiers**”) have jointly and severally undertaken to and covenanted with our Company that they will indemnify and at all times keep our Group fully indemnified against any actions, claims, losses, liabilities, damages, costs, charges or expenses which may be made, suffered or incurred by any of them in respect of or arising directly or indirectly from any claims which are covered by the indemnities in relation to taxation, estate duty and claims (as set out below) including, but not limited to, all reasonable costs (including legal costs), charges, expenses, penalties and other liabilities which our Group may reasonably and properly incur in connection with:

- (a) the investigation, assessment or the contesting of any claim;
- (b) the settlement of any claim;
- (c) and legal proceedings in which our Group claims under or in respect of the Deed of Indemnity and in which judgement is given in favour of the Group;
- (d) the enforcement of any such settlement or judgement in respect of any claim;
- (e) the property title defects in relation to the Two HK Leased Properties and the Macau Leased Property referred to under the section “Business — Properties” in this prospectus; or
- (f) the OSHO Case, as set out in the section “Business — Health, Work Safety, Social and Environmental Matters”.

In addition, pursuant to the Deed of Indemnity, the Indemnifiers also agree and undertake, jointly and severally, with our Company, subject to the terms of the Deed of Indemnity, to indemnify our Company and our Group (on its own behalf and as trustees for our Group) and at all times keep the same fully indemnified on demand against all claims, actions, demands, proceedings, judgements, losses, liabilities, damages, costs, charges, fees, expenses, penalties and fines falling on our Company or our Group directly or indirectly resulting from, or relating to or in consequence of our Reorganisation.

### 3. Litigation

Save as disclosed in “Business — Legal and Compliance Matters” in this prospectus, neither our Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance is known by our Directors to be pending or threatened by or against any member of our Group.

### 4. Promoters

Our Company has no promoter as the term is defined under the Listing Rules.

### 5. Application for listing

The Sole Sponsor has made an application on behalf of our Company 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, and any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme.

### 6. Preliminary expenses and the Sole Sponsor’s fees

The preliminary expenses of our Company are estimated to be approximately HK\$70,000, and are payable by our Company.

The Sole Sponsor will be paid by our Company an aggregate fee of HK\$4.5 million to act as the sponsor to the Global Offering.

### 7. Qualifications of experts

The following are the qualifications of the experts which have given their opinions or advice which are contained, or referred to, in this prospectus:

<b>Expert</b>	<b>Qualification</b>
BOSC International Company Limited	Licensed under the SFO for type 1 (dealing in securities) and type 6 (advising on corporate finance) of regulated activities as defined under the SFO
Deacons	Qualified Hong Kong lawyers
Rato, Ling, Lei & Cortés — Advogados	Qualified Macau lawyers
Conyers Dill and Pearman	Cayman Islands attorneys-at-law
Deloitte Touche Tohmatsu	Certified Public Accountants
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent professional market research firm



**8. Consents of experts**

Each of the experts referred to above has given and has not withdrawn its written consent to the issue of this prospectus with inclusion of its report, letter and/or advice and/or the references to its name in the form and context in which they are respectively included. Each of the experts statements have been made on the date of this prospectus and were made by the expert for incorporation in this prospectus.

As at the Latest Practicable Date, none of the experts referred to above have 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.

**9. Binding effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

**10. Miscellaneous**

Except as disclosed in this prospectus:

- (a) within the two years immediately preceding the date of this prospectus, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid for either cash or a consideration other than cash;
- (b) within the two years immediately preceding the date of this prospectus, no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (c) within the two years immediately preceding the date of this prospectus, 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 our subsidiaries;
- (d) since 30 September 2015 (being the date to which the latest audited consolidated financial statements of our Group were made up) there has not been any material adverse effect in the financial or trading position of our Group;
- (e) no founder, management or deferred shares or debentures of our Company or any of our subsidiaries have been issued or agreed to be issued;
- (f) no company within our Group is presently listed on any stock exchange or traded or any trading system;
- (g) there is no arrangement under which future dividends are waived or agreed to be waived; and

- (h) 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 twelve months immediately preceding the date of this prospectus.

#### **11. 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).

#### **12. Independence of the Sole Sponsor**

BOSC International Company Limited satisfies the independence criteria applicable to the sponsors set out in Rule 3A.07 of the Listing Rules.

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the Application Forms, the written consents referred to in “E. Other information — 8. Consents of experts” in Appendix IV to this prospectus and copies of the material contracts referred to in “B. Further information about the business — 1. Summary of material contracts” in Appendix IV to this prospectus.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of Deacons at 5th Floor, Alexandra House, 18 Chater Road, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (1) the Memorandum of Association and the Articles of Association;
- (2) the accountants’ report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
- (3) the report issued by Deloitte Touche Tohmatsu relating to our unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (4) the audited financial statements of our Group for the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015;
- (5) the Hong Kong legal opinion prepared by Deacons, our legal advisers as to Hong Kong law, on the applicable laws and regulations of our operations, and certain aspects of our operational and corporate matters in Hong Kong;
- (6) the Macau legal opinion prepared by Rato, Ling, Lei & Cortés — Advogados, our legal advisers as to Macau law, on certain aspects of our operational and corporate matters in Macau;
- (7) a copy of the letter of advice prepared by Conyers Dill & Pearman, our legal advisers as to Cayman Islands law, summarising certain aspects of the Companies Law referred to in Appendix III to this prospectus;
- (8) the F&S Report;
- (9) the Companies Law;
- (10) the rules of the Share Option Scheme;
- (11) the material contracts referred to in “B. Further information about the business — 1. Summary of material contracts” in Appendix IV to this prospectus;

- (12) the service agreements and the letters of appointment referred to in “C. Further Information about Directors and substantial shareholders — 1. Particulars of Directors’ service agreements” in Appendix IV to this prospectus; and
- (13) the written consents referred to in “E. Other information — 8. Consents of experts” in Appendix IV to this prospectus.

**AP RENTALS HOLDINGS LIMITED**