

CHerish Holdings Limited 東盈控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock code: 2113



PUBLIC OFFER AND PLACING

Sponsor



Bookrunner and Lead Manager



中國保盛證券有限公司
CHINA PROSPECT SECURITIES LIMITED

IMPORTANT

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

CHerish Holdings Limited

東盈控股有限公司

(Incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Total number of Offer Shares	: 185,000,000 Shares comprising 140,000,000 New Shares and 45,000,000 Sale Shares (subject to the Over-allotment Option)
Number of Public Offer Shares	: 18,500,000 Shares (subject to re-allocation)
Number of Placing Shares	: 166,500,000 Shares including 121,500,000 New Shares and 45,000,000 Sale Shares (subject to re-allocation and the Over-allotment Option)
Offer Price	: HK\$0.70 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application and subject to refund)
Nominal value	: HK\$0.01 per Share
Stock code	: 2113

Sponsor



Bookrunner



Joint Lead Managers



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

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

Prior to making an investment decision, prospective investors should consider carefully all the information set out in this prospectus, including risk factors set out in the section "Risk Factors". Pursuant to the Public Offer Underwriting Agreement, the Bookrunner (for itself and on behalf of the Public Offer Underwriters) has the right in certain circumstances to terminate the obligations of the Public Offer Underwriters at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of such circumstances are set out in the section "Underwriting – Underwriting Arrangements and Expenses – Public Offer – Grounds for Termination" in this prospectus.

EXPECTED TIMETABLE ⁽¹⁾

If there is any change in the following expected timetable, our Company will issue an announcement to be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.cherishholdings.com.

Application lists open ⁽²⁾ 11:45 a.m. on Wednesday, 5 October 2016

Latest time for lodging **WHITE** and **YELLOW** Application

Forms and giving **electronic application instructions** to

HKSCC ⁽³⁾ 12:00 noon on Wednesday, 5 October 2016

Application lists close 12:00 noon on Wednesday, 5 October 2016

(1) Announcement of the level of indication of interest in the Placing, the level of applications in respect of the Public Offer and the results and basis of allotment under the Public Offer to be published on the website of Stock Exchange at **www.hkexnews.hk** and our Company at **www.cherishholdings.com** ⁽⁴⁾ on or before Friday, 14 October 2016

(2) Announcement of results of allocations (with successful applicants' identification document numbers, where applicable) to be available through a variety of channels as described in the section "How to Apply for the Public Offer Shares – 10. Publication of Results" on or before Friday, 14 October 2016

(3) A full announcement containing (1) and (2) above to be published on the website of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.cherishholdings.com** Friday, 14 October 2016

Results of allocations in the Public Offer to be available at **www.tricor.com.hk/ipo/result** with a "search by ID" function from . Friday, 14 October 2016

Despatch/collection of share certificates or deposit of share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Public Offer on or before ^{(5) to (8), (10)} Friday, 14 October 2016

Despatch of refund cheques in respect of wholly or partially unsuccessful applications on or before ^{(5) to (10)} Friday, 14 October 2016

Dealings in Shares on the Main Board to commence at 9:00 a.m. on Monday, 17 October 2016

Notes:

1. All times and dates refer to Hong Kong local time and date. Details of the structure of the Share Offer, including its conditions, are set out in the section "Structure and Conditions of the Share Offer".

EXPECTED TIMETABLE ⁽¹⁾

2. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. to 12:00 noon on Wednesday, 5 October 2016, the application lists will not open and close on that day. Particulars of the arrangements are set forth under the section “How to Apply for the Public Offer Shares – 9. Effect of Bad Weather on the Opening of the Application Lists”. If the application lists do not open and close on Wednesday, 5 October 2016, the dates mentioned in this section “Expected Timetable” may be affected. A press announcement will be made by our Company in such event.
3. Applicants who apply for the Public Offer Shares by giving **electronic application instructions** should refer to the section “How to Apply for the Public Offer Shares – 5. Applying by Giving Electronic Application Instructions to HKSCC via CCASS”.
4. None of the website of our Company or any of the information contained on the website of our Company forms part of this prospectus.
5. Share certificates for the Public Offer Shares will only become valid certificates of title at 8:00 a.m. (Hong Kong time) on the Listing Date (such date is currently expected to be on Monday, 17 October 2016) provided that (i) the Share Offer becomes unconditional in all respects; and (ii) the right of termination as described in the section “Underwriting – Underwriting Arrangements And Expenses – Public Offer – Grounds for Termination” has not been exercised thereto and has lapsed. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.
6. Applicants who have applied on WHITE Application Forms for 1,000,000 Public Offer Shares or more under the Public Offer and have provided all information required by WHITE Application Form may collect any refund cheque(s) (where applicable) and/or Share certificate(s) in person from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 14 October 2016. Applicants being individuals who are eligible and opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who are eligible and opt for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with the corporations’ chop. Identification and (where applicable) authorization documents acceptable to our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, must be produced at the time of collection.
7. Applicants who have applied on YELLOW Application Forms for 1,000,000 Public Offer Shares or more under the Public Offer may collect their refund cheque(s), where applicable, in person but may not elect to collect their Share certificate(s), which will be deposited into CCASS for the credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheque(s) for YELLOW Application Form applicants are the same as those for WHITE Application Form applicants specified in note 6 above.
8. For applicants who have applied for Public Offer Shares by giving electronic application instructions to HKSCC, their refund (if any) will be credited to their designated bank account or the designated bank account of the designated CCASS Participant through which they made their application on Friday, 14 October 2016. For applicants who have instructed their designated CCASS Participant (other than CCASS Investor Participant) to give electronic application instructions on their behalf, they can check the amount of refund (if any) payable to them with that designated CCASS Participant. For applicants who have applied as CCASS Investor Participant, they can check the amount of refund (if any) payable to them via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Friday, 14 October 2016 or in the activity statement showing the amount of refund money credited to their designated bank account made available to them by HKSCC immediately after the credit of refund money to their bank account. Please refer to the section headed “How to Apply for the Public Offer Shares – 13. Despatch/Collection of Share certificates and refund monies” in this prospectus for details.

EXPECTED TIMETABLE ⁽¹⁾

9. Refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may lead to delays in encashment of, or may invalidate, the refund cheque.
10. Uncollected share certificates and refund cheques will be despatched by ordinary post, at the applicants' own risk, to the addresses specified on the relevant applications. Further information is set out in the sections "How to Apply for the Public Offer Shares – 13. Despatch/Collection of Share Certificates and Refund Monies" and "How to Apply for the Public Offer Shares – 11. Circumstances in which you will not be allocated Public Offer Shares".

The above expected timetable is a summary only. You should refer to the sections "Structure and Conditions of the Share Offer" and "How to Apply for the Public Offer Shares" for details of the Public Offer, including the conditions of the Public Offer, and the procedures for application for the Public Offer Shares.

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You should rely only on the information contained in this prospectus to make your investment decision. Our Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained or made in this prospectus must not be relied on by you as having been authorised by our Company, the Selling Shareholder, the Sponsor, the Bookrunner, the Joint Lead Managers, any of the Underwriters, any of their respective directors, affiliates, employees or representatives or any other person or party involved in the Share Offer.

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SUMMARY AND HIGHLIGHTS

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

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

Various expressions used in this summary are defined in the section headed "Definitions".

OUR BUSINESS

We mainly perform site formation works in Hong Kong as a subcontractor. We have over 14 years of experience in undertaking site formation works in Hong Kong.

During the Track Record Period, as a subcontractor, we provide our customers with comprehensive site formation solutions which generally include (a) general earthworks (including soil and rock excavation, disposal of construction and demolition materials, backfilling and compaction for forming a new site or achieving designed formation level for later development); (b) tunnel excavation works (including rock excavation works for construction of tunnels through drill and break and/or drill and blast methods as well as construction of associated temporary tunnel support structures); (c) foundation works (including ELS works and associated structural works for construction of pile caps for commercial and residential building projects); and (d) road and drainage works (including construction of access roads and drainage systems at construction sites). As part of our ancillary services, we also undertake steel fabrication and installation of steel working platform as a subcontractor.

We have positioned ourselves as a site formation subcontractor given that (a) we have been undertaking site formation works as a subcontractor for more than 14 years since our commencement of business in 2001; (b) we have neither been admitted to the List of Approved Contractors for Public Works nor registered with the Building Authority as a registered specialist contractor pursuant to the Buildings Ordinance applicable to a main contractor; and (c) our direct customers are mostly main contractors with whom we have developed stable business relationship for years.

In particular, we pride ourselves on our capability and expertise in undertaking blasting works. During the Track Record Period, we have completed two site formation projects involving blasting works with an aggregate revenue recognised of approximately HK\$218.7 million.

Our direct customers are mostly main contractors of various types of infrastructural and commercial and residential building projects in Hong Kong. Such projects can generally be categorised into public sector projects and private sector projects. Public sector projects refer to projects which the main contractors are employed by the Government or statutory bodies while private sector projects refer to those that are not public sector projects. The majority of our revenue during the Track Record Period was derived from public sector projects, representing approximately 95.0%, 99.3% and 73.8% of our turnover for the three years ended 31 March 2016, respectively. Since we are not registered on the List of Approved Contractors for Public Works as kept by the Development Bureau, we are not directly eligible to tender for public projects. As such, we have to rely on main contractors that are included on the List of Approved Contractors for Public Works for these projects and if we are able to successfully tender for such projects from these main contractors, they will engage our Group as subcontractor of such public projects. Our site formation projects are non-recurring in nature. As a subcontractor, we secure our projects from main contractors after a competitive tendering process whereby we are invited to submit our tender. Our pricing is determined based on a cost-plus pricing model in general with markup determined on a project-by-project basis.

We possess our own machinery and equipment such as hydraulic excavators, hydraulic hammers, drill rigs, jumbo drill rigs, shotcrete machines, loaders, vibratory rollers, air compressors, electrical welding machines and platforms for performing site formation works and therefore are not materially reliant on third parties for machinery and equipment rental. We believe that our investment in machinery and equipment has placed us in a position to

SUMMARY AND HIGHLIGHTS

undertake site formation projects of different scales and complexity and to meet the expected growing demand of our customers. For further information regarding our machinery and equipment, please refer to the section headed “Business – Machinery and equipment” in this prospectus.

During the Track Record Period and up to the Latest Practicable Date, we had completed 18 projects with a total revenue recognised of approximately HK\$267.2 million. As at the Latest Practicable Date, we had seven projects on hand (including projects in progress as well as projects that have been awarded to us but not yet commenced) with a total awarded contract sum attributable to our Group in the amount of approximately HK\$424.6 million, of which approximately HK\$183.4 million has been recognised as revenue during the Track Record Period, and approximately HK\$242.0 million^(Note) is expected to be recognised as revenue for the year ending 31 March 2017. Further details of our projects are set out in the paragraph headed “Our projects – Our project backlog – Projects on hand” in this prospectus.

Customers

During the Track Record Period, our customers primarily include main contractors of various types of infrastructural, commercial and residential building projects in Hong Kong. For the three years ended 31 March 2016, the percentage of our total revenue attributable to our largest customer amounted to approximately 62.0%, 99.3% and 39.1%, respectively, while the percentage of our total revenue attributable to our five largest customers combined amounted to approximately 100%, 100% and 96.2%, respectively. Among our five largest customers during the Track Record Period, we have been providing services to them for a period ranging from one to five years. Our Directors consider that due to the nature of the site formation industry in which our Group is engaged in, our customer base is relatively concentrated to reputable main contractors in Hong Kong. As a result, the potential customer base of our Group is limited. Please refer to the section headed “Business – Customers – Customer concentration” in this prospectus for further details.

For the three years ended 31 March 2016, revenue from China State Construction amounted to approximately HK\$27.7 million, HK\$138.5 million and HK\$70.3 million, representing approximately 33.0%, 99.3% and 33.5% of our total revenue for the corresponding periods, respectively. The revenue attributable to China State Construction decreased to 33.5% of our total revenue for the year ended 31 March 2016 was mainly attributable to completion of a contract with an aggregate contract sum of approximately HK\$175.9 million for the year ended 31 March 2015. Although China State Construction represented a substantial revenue contribution to our revenue during the Track Record Period, we strive to diversify our customer base by entering into contracts with new customers. For the year ended 31 March 2015, we have been awarded a site formation, foundation, road and drainage works for a residential development project with a contract sum of approximately HK\$101.4 million with Ming Shing Construction Engineering Co., Ltd. (a customer we have commenced business relationship since 2015). In the same year, we were awarded another residential project with a contract sum of approximately HK\$97.7 million involving site formation, foundation, ELS and pile cap works for a railway extension project from New Concepts Foundation Limited, which was our largest customer for the year ended 31 March 2016.

During the Track Record Period, all of our contracts were obtained through tendering. The following table sets out the number of tender invitation received, the number of contracts tendered, the number of successfully tendered contracts and our success rate during the Track Record Period:

Note: The amount of HK\$242.0 million expected to be recognised as revenue for the year ending 31 March 2017 represents the aggregate outstanding contract sum (which refers to the aggregate amount of the original contract sum after deduction of the aggregate amount of revenue recognised during the Track Record Period up to the Latest Practicable Date) of our seven projects on hand and may not take into account variation orders (including additions, reductions, modifications and/or other changes in scope of works due to subsequent variation orders), if any, placed by our customers from time to time during the course of project execution. As such, there is no assurance that the actual amount of revenue to be recognised from our projects on hand will not be substantially different from such estimated figure.

SUMMARY AND HIGHLIGHTS

	For the year ended 31 March		
	2014	2015	2016
Number of tender invitation received	17	41	82
Number of tenders submitted	13	38	47
Number of tenders won	2	8	11
Success rate (%)	15	21	23

Note: Tender success rate is calculated by dividing the number of contracts awarded in respect of the tenders submitted during a financial year by the number of tenders submitted during the financial year.

Suppliers

During the Track Record Period, suppliers of goods and services to our Group mainly include: (i) our subcontractors; (ii) suppliers of construction materials; (iii) machinery and equipment rental service providers; and (iv) suppliers of other parts and consumables. For the three years ended 31 March 2016, the percentage of our total purchases incurred from our largest supplier amounted to approximately 17.3%, 29.5% and 28.4% of our total purchases incurred, respectively, while the percentage of our total purchases incurred from our five largest suppliers combined amounted to approximately 60.5%, 71.3% and 72.7% of our total purchases incurred, respectively. We generally order the relevant construction materials and services on a project-by-project basis and do not enter into any long-term supply agreements with our suppliers. Among our five largest suppliers (in terms of total purchased amounts) during the Track Record Period, we have developed business relationship with them for a period ranging from one year to five years.

Subject to our capacity, types of site formation works, cost effectiveness, complexity of the projects and customers' requirements, we may subcontract our works such as pile cap construction, geotechnical works, ELS works and road and drainage works to other subcontractors in a project.

For the three years ended 31 March 2016, we incurred subcontracting charges of approximately HK\$22.1 million, HK\$15.0 million and HK\$109.7 million, respectively. Please refer to the section headed "Financial information – Description of selected items from combined statements of profit or loss and other comprehensive income – Costs of sales" in this prospectus for the relevant sensitivity analysis.

COMPETITIVE LANDSCAPE

According to the Euromonitor Report, in 2015, our Group held an approximately 7.2% market share among site formation and clearance works subcontractors in Hong Kong.

According to the Euromonitor Report, the site formation industry in Hong Kong is fragmented with a large number of subcontractors and a small number of main contractors. As of May 2016, there were 179 registered companies with specialist contractors for site formation works, and 391 registered subcontractors for earthwork under the Subcontractors Registration Scheme managed by the Construction Industry Council. The top five players in the industry in terms of revenue receipts generated from provision of site formation work in Hong Kong are all main contractors, due to their ability to undertake a large number of projects and large contracts for public infrastructure projects. It is estimated that the top five players accounted for around 26.4% of the contractor's site formation market share in 2015. The total revenue of the site formation industry in Hong Kong accounted for approximately 2.18% of the total revenue of the overall construction industry in Hong Kong in 2015. Our Directors consider that technical expertise in site formation (particularly rock excavation), quality of work, relationship with customers, suppliers and subcontractors, machinery capability, project pricing and safety records are the determinants of competitiveness of a site formation services provider in Hong Kong, and our Group is well-positioned to capture more business opportunities from the site formation industry in Hong Kong.

COMPETITIVE STRENGTHS

We believe the following competitive strengths, details of which are set out in the section headed "Business – Competitive strengths" in this prospectus, contribute to our success and differentiate us from our competitors:

- Well established presence in the site formation industry in Hong Kong

SUMMARY AND HIGHLIGHTS

- Experienced management team and qualified personnel
- Possession of a range of machinery and equipment
- Stable relationship with our major customers and suppliers
- Our commitment to maintaining safety standard, quality control and environmental protection

BUSINESS OBJECTIVES AND STRATEGIES

Our principal business objective is to further strengthen our market position as an established site formation subcontractor in Hong Kong and to create long-term Shareholder's value. We intend to achieve our business objective by competing for more site formation projects, details of which are set out in the sections headed "Business – Business strategies" in this prospectus:

- Expanding our market share and competing for more site formation projects
- Acquisition of additional machinery and equipment
- Further strengthening our manpower

SUMMARY OF FINANCIAL INFORMATION

The following table summarises the combined financial information of our Group during the Track Record Period, which is extracted from the Accountants' Report set out in Appendix I to this prospectus. The summary financial data should be read in conjunction with the combined financial information in the Accountants' Report set out in Appendix I to this prospectus.

Highlights of the combined statements of profit or loss and comprehensive income

	Year ended 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	83,947	139,367	210,046
Cost of sales	<u>(69,014)</u>	<u>(104,131)</u>	<u>(167,546)</u>
Gross profit	14,933	35,236	42,500
Other income	–	59	515
Administrative expenses	(3,308)	(4,163)	(8,041)
Finance costs	<u>(179)</u>	<u>(389)</u>	<u>(375)</u>
Profit before taxation	11,446	30,743	34,599
Taxation	<u>(1,793)</u>	<u>(5,072)</u>	<u>(6,175)</u>
Profit and total comprehensive income for the year	<u><u>9,653</u></u>	<u><u>25,671</u></u>	<u><u>28,424</u></u>

Revenue

During the Track Record Period, our revenue were mainly generated from construction contracts for comprehensive site formation solutions, which generally include general earthworks, tunnel excavation works, foundation works and road and drainage works. As part of our ancillary services, we also undertake steel fabrication and installation of steel working platform. Our revenue from construction contract is recognised based on the stage of completion at the end of each reporting period. The stage of completion is determined by reference to the construction works certified by our customers. The portion of total construction contract amount have been completed in a period is recognised as revenue of our Group in the respective period. During the Track Record Period, our major customers are main contractors in Hong Kong.

For the three years ended 31 March 2016, there were respectively, four, eight and 15 construction projects contributing approximately HK\$83.9 million, HK\$139.4 million and HK\$210.0 million, respectively to our revenue.

Please also refer to the section headed "Financial Information – Description of selected items from combined statements of profit or loss and other comprehensive income – Revenue" for details of breakdown of our revenue by project type.

SUMMARY AND HIGHLIGHTS

During the Track Record Period, revenue generated from public sector projects accounted for approximately 95.0%, 99.3% and 73.8% of our revenue. The following tables sets forth the breakdown of our revenue and the percentage contribution to our total revenue by private and public sectors for the periods indicated:

	2014		Year ended 31 March 2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Public sector projects	79,767	95.0%	138,450	99.3%	155,010	73.8%
Private sector projects	4,180	5.0%	917	0.7%	55,036	26.2%
	<u>83,947</u>	<u>100.0%</u>	<u>139,367</u>	<u>100.0%</u>	<u>210,046</u>	<u>100.0%</u>

Gross profit and gross profit margin

The gross profit and gross profit margin of our Group was determined on a project-by-project basis and are generally attributable to our tender price of the projects.

The gross profit was approximately HK\$14.9 million, HK\$35.2 million and HK\$42.5 million for the three years ended 31 March 2016, respectively. Our gross profit margin was approximately 17.8%, 25.3% and 20.2% for the three years ended 31 March 2016, respectively.

Despite the decrease in price of diesel fuel over the Track Record Period, such decrease had minimal impact on our Group's gross profit margin as the diesel fuel costs incurred by our Group only amounted to approximately HK\$4.7 million, HK\$6.8 million and HK\$6.1 million respectively. This in turn accounted for approximately 6.8%, 6.5% and 3.6% of our Group's total cost of sales respectively during the Track Record Period.

The gross profit margin of approximately 25.3% for the year ended 31 March 2015 was mainly due to the tunnel excavation work with China State Construction, with a profit margin of approximately 25.6%, has carried out substantial work for the year ended 31 March 2015. Revenue of this project recognised in the year ended 31 March 2015 accounted for approximately 99.3% of total revenue for the same year.

The following table sets forth our gross profit and gross profit margin by private and public sectors for the periods indicated:

	2014		Year ended 31 March 2015		2016	
	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %
Public	14,387	18.0%	35,134	25.4%	32,557	21.0%
Private	546	13.1%	102	11.1%	9,943	18.1%
	<u>14,933</u>	<u>17.8%</u>	<u>35,236</u>	<u>25.3%</u>	<u>42,500</u>	<u>20.2%</u>

SUMMARY AND HIGHLIGHTS

Highlights of combined statements of financial position

	As at 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Non-current assets	10,003	14,734	21,910
Current assets	24,404	73,330	104,822
Current liabilities	20,277	47,130	75,720
Net current assets	4,127	26,200	29,102
Net assets	11,107	36,778	45,202

Highlights of combined statements of cash flows

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Net cash flow from operating activities	13,075	57,322	26,189
Net cash flow (used in)/from investing activities	(12,922)	(24,980)	1,058
Net cash flow from/(used in) financing activities	1,627	(3,997)	(6,109)
Net increase in cash and cash equivalent	1,780	28,345	21,138
Cash and cash equivalents at beginning of the year	957	2,737	31,082
Cash and cash equivalents at end of the year	2,737	31,082	52,220

Cash generated from operating activities decreased from approximately HK\$57.3 million for the year ended 31 March 2015 to approximately HK\$26.2 million for the year ended 31 March 2016 was primarily as a result of (i) increase in trade and other receivables of approximately HK\$21.7 million as at 31 March 2016, which was mainly attributable to the growth of our revenue for the year ended 31 March 2016 and (ii) increase in gross amounts due from customers for contract work of approximately HK\$19.1 million as at 31 March 2016, which was mainly attributable to a site formation, foundation, ELS and pile cap works for a railway extension project and a site formation, foundation, road and drainage works for a residential development project. These two projects have incurred substantial direct costs, but the surveyors of these projects appointed by the respective main contractors have not yet certified the payments of works completed as at 31 March 2016, partially offset by increase in trade and other payables of approximately HK\$20.5 million as at 31 March 2016, which was mainly attributable to increase in subcontracting charges resulting from undertaking more site formation projects.

For further details about our cash positions, please refer to the section headed “Financial information – Liquidity and capital resources – Cash flows” in this prospectus.

Key Financial Ratios

	As at/for the year ended 31 March		
	2014	2015	2016
Current ratio ¹	1.2	1.6	1.4
Gearing ratio ²	61.7%	20.4%	15.9%
Debt to equity ratio ³	37.0%	N/A	N/A
Interest coverage ⁴	64.9	80.0	93.3
Return on assets ⁵	28.1%	29.2%	22.4%
Return on equity ⁶	86.9%	69.8%	62.9%
Net profit margin ⁷	11.5%	18.4%	13.5%

- The current ratio is calculated by dividing current assets with current liabilities as at the end of each reporting period.
- The gearing ratio is calculated based on debts including payables incurred not in the ordinary course of business divided by the total equity as at the end of each reporting period.
- Debt to equity ratio is calculated by the net debt (all borrowings net of cash and cash equivalents) divided by the total equity as at the end of each reporting year.

SUMMARY AND HIGHLIGHTS

- Interest coverage is calculated by the profit before interest and tax divided by the interest for the respective year.
- Return on assets is calculated by the total comprehensive income for the year or period divided by the total assets as at the end of each reporting year and multiplied by 100%.
- Return on equity is calculated by the total comprehensive income for the year divided by the total equity as at the respective year or period end and multiplied by 100%.
- The net profit margin is calculated by dividing the net profit by the revenue for the respective year multiplied by 100%.

Please refer to the section headed “Financial information – Key financial ratios” for further analysis.

SHAREHOLDER INFORMATION

Immediately following completion of the Share Offer and the Capitalisation Issue and without taking into account any Shares that may be issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme, Ms. Choi, Mr. Tang, Mr. Kwok and Waterfront Palm will together control 75% of the issued share capital of our Company. For the purpose of the Listing Rules, Ms. Choi, Mr. Tang, Mr. Kwok and Waterfront Palm are a group of Controlling Shareholders. Please refer to the section headed “Relationship with the Controlling Shareholders” in this prospectus for further details.

THE SHARE OFFER AND OFFER STATISTICS

The Share Offer comprises the Public Offer of 18,500,000 Shares initially offered in Hong Kong, and the Placing of 166,500,000 Shares (subject, in each case to re-allocation and the Over-allotment Option on the basis as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus).

Market capitalisation of our Shares <i>(Note 1)</i>	HK\$518,000,000
Offer price per Share	HK\$0.70
Board lot	5,000
Unaudited pro forma adjusted combined net tangible assets of our Group per Share <i>(Note 2)</i>	HK\$0.17 based on an Offer Price of HK\$0.70 per Share

Notes:

- The calculation of the market capitalisation of the our Shares is based on 740,000,000 Shares in issue immediately after completion of the Share Offer but does not take into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the issuing mandate and the repurchase mandate.
- The unaudited pro forma adjusted combined net tangible assets of our Group per Share has been prepared with reference to certain estimation and adjustment. Please refer to Appendix II to this prospectus for further details.

FUTURE PLANS AND USE OF PROCEEDS

We will not receive any of the proceeds from the sale of the Sale Shares by the Selling Shareholder in the Share Offer. We estimate that the aggregate net proceeds to be received by us from the Share Offer, after deducting related underwriting fees and estimated expenses in connection with the Share Offer, will be approximately HK\$79.3 million. Our Directors presently intend to apply such net proceeds as follows:

SUMMARY AND HIGHLIGHTS

Approximate amount of net proceeds	Utilised by year ending	Intended applications
HK\$47.2 million or approximate 59.5%	31 March 2018	Purchase of machinery and equipment comprising drill rigs, hydraulic excavators, air compressors, crawler cranes, hydraulic hammers and shotcrete machines required for our site formation projects
HK\$14.8 million or approximate 18.7%	31 March 2018	Expansion of our workforce both at office level and worksite level (including additional plant operators to service our fleet of site formation machinery)
HK\$10.0 million or approximate 12.6%	31 March 2017	Taking out surety bond to secure a new contract relating to a site formation project at the Hong Kong International Airport and other contracts we plan to bid for
HK\$7.3 million or approximate 9.2%	31 March 2017	General working capital

For details of our future plans and use of proceeds, please refer to the section headed “Future plans and use of proceeds” in this prospectus.

Please also refer to the section headed “Future plans and use of proceeds – Reasons for the Listing” in this prospectus for detailed reasons for our Listing.

LISTING EXPENSES

Our estimated expenses in relation to the Listing, including underwriting commissions, are approximately HK\$24.7 million, which will be borne as to approximately HK\$18.7 million by us and as to approximately HK\$6.0 million by the Selling Shareholder. Out of the amount of approximately HK\$18.7 million, approximately HK\$6.1 million is directly attributable to the issue of new Shares to the public and will be accounted for as a deduction from equity upon completion of the Share Offer. The remaining estimated listing expenses of approximately HK\$12.6 million, was or will be charged to profit or loss, of which approximately HK\$2.8 million was charged for the year ended 31 March 2016 and approximately HK\$9.8 million is expected to be incurred for the year ending 31 March 2017. This calculation is based on the Offer Price of HK\$0.70 per Offer Share and the assumption that 185,000,000 Shares are to be offered under the Share Offer and is subject to the adjustment based on the actual amount incurred or to be incurred. Expenses in relation to the Listing are non-recurring in nature. Our Group’s financial performance and results of operation for 31 March 2017 will be affected by the estimated expenses in relation to the Listing.

DIVIDENDS

Our Group did not declare any dividend for the years ended 31 March 2014 and 2015. For the year ended 31 March 2016, our Group declared dividends of HK\$20.0 million to the shareholders of C&H now comprising our Group. It was agreed between C&H and its shareholders that the said dividends of HK\$20.0 million payable by C&H were settled by way of set-off against the same amount due from the relevant shareholders who are also directors. In May 2016, our Group declared dividends of HK\$19.0 million to the then shareholders of C&H. The declared dividends of HK\$19.0 million was settled in May 2016. The declaration and payment of future dividends will be subject to the decision of the Board having regard to various factors, including but not limited to our results of operations and financial performance, profitability, business development, prospects, capital requirements, and economic outlook. It is also subject to the approval of our Shareholders as well as any applicable laws. The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payout ratio.

As at the Latest Practicable Date, our Company has no distributable reserves available for distribution to our Shareholders.

SUMMARY AND HIGHLIGHTS

PRINCIPAL RISK FACTORS

There are certain risks involved in our operations which are beyond our control. They can be broadly categorised into risks relating to our business and risks relating to the industry in which we operate. Potential investors are advised to read the section headed “Risk factors” in this prospectus carefully before making any investment decision in the Share Offer. Some of the more particular risk factors include:

- The amount of revenue that we are able to derive from a project may be higher or lower than the original contract sum due to factors such as variation orders
- We rely on the availability of public sector site formation projects in Hong Kong and any failure of our Group to secure public sector projects would adversely affect our operations and financial results
- Our revenue is mainly derived from projects which are non-recurrent in nature and any failure of our Group to secure tender contracts would affect our operations and financial results
- Error or inaccurate estimation of project duration and costs when determining the tender price may result in substantial loss incurred by us
- We have concentrated customer base and any decrease in the number of projects with our five largest customers would adversely affect our operations and financial results
- Our performance depends on market conditions and trends in the site formation works industry and any deterioration in the prevailing market conditions in the site formation works industry may adversely affect our performance and financial conditions
- We operate in a relatively competitive environment
- Rising construction costs, including the costs of construction workers and construction materials, may increase our costs
- Shortage of labour may affect our projects and our performance

It is not unusual to find difficult or dangerous conditions at the underground level or at the works site, such as artificial underground obstruction, relic, bomb, contaminated soil, presence of unknown obstacles due to historical use of site, existing methane gas generated during construction, fire hazard, flooding risk (including storm surge effect), collapse of temporary structure, which may not have been anticipated at the preliminary stage. Such difficult or dangerous conditions at the underground level or at the works site may make our site formation works difficult, incur higher project expenses and result in personal injuries or even fatality. During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that we did not encounter such project risks which materially affect our business operation.

RECENT DEVELOPMENTS

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have continued to focus on developing our business of undertaking site formation works in Hong Kong. As at the Latest Practicable Date, we had a total of seven contracts with aggregate contract sum of approximately HK\$424.6 million on hand (including (a) six projects for an aggregate contract sum of HK\$412.4 million that four contracts have been commenced and HK\$183.4 million is recognised during the Track Record Period and two contracts have commenced but revenue is not yet recognised during the Track Record Period; and (b) one project for a contract sum of HK\$12.2 million that has been awarded to us but not yet commenced). Please refer to the section headed “Business – Our projects” in this prospectus for further details.

As at the Latest Practicable Date, all existing projects have continued to contribute revenue to our Group and none of them have had any material interruption. We expect to recognise revenue of approximately HK\$242.0 million^(Note) for the year ending 31 March 2017

Note: The amount of HK\$242.0 million expected to be recognised as revenue for the year ending 31 March 2017 represents the aggregate outstanding contract sum (which refers to the aggregate amount of the original contract sum after deduction of the aggregate amount of revenue recognised during the Track Record Period up to the Latest Practicable Date) of our seven projects on hand and may not take into account variation orders (including additions, reductions, modifications and/or other changes in scope of works due to subsequent variation orders) placed by our customers from time to time during the course of project execution. As such, there is no assurance that the actual amount of revenue to be recognised from our projects on hand will not be substantially different from such estimated figure.

SUMMARY AND HIGHLIGHTS

based only on our contracts on hand. The amount of revenue expected to be recognised is subject to change due to the actual progress and commencement and completion dates of our projects. Based on the budget costs of each project, our Directors expect that our gross profit margin for the year ending 31 March 2017 to be at similar levels to that recorded during the Track Record Period. Accordingly, our Directors currently expect an increase in our revenue and gross profit for the year ending 31 March 2017. Our Directors also expect that our financial performance will be affected by the listing expenses to be recognised for the year ending 31 March 2017.

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have been awarded with five additional contracts with an aggregate contract sum of approximately HK\$93.5 million. Three of these five additional contracts are part of the seven contracts on hand with a total contract sum of HK\$424.6 million awarded to our Group as at the Latest Practicable Date. Our Directors consider that our Group is well-positioned to take on new site formation projects and believe that the Government's long term planning for infrastructure and the increasing Government support for rock caverns development projects would favour the growth of our Group and the demand of our services.

Save and except for the listing expenses as disclosed above, our Group did not have any significant non-recurrent items in our combined statements of comprehensive income subsequent to the Track Record Period. Our results of operations for the year ending 31 March 2017 are expected to be significantly affected by the non-recurring listing expenses as discussed in the paragraph headed "Listing expenses" in this section.

MATERIAL ADVERSE CHANGE

The impact of the listing expenses on the profit and loss accounts has posted a material adverse change in the financial or trading position or prospect of our Group since 31 March 2016 (being the date of the latest audited combined financial statements were made up). Prospective investors should be aware of the impact of the listing expenses on the financial performance of our Group for the year ending 31 March 2017.

Save as disclosed above, our Directors have confirmed that, up to the date of this prospectus, there had been no material adverse change in the financial or trading positions or prospect of our Company or its subsidiaries since 31 March 2016 (being the date of which our Group's latest audited combined financial statements were made up as set out in the Accountants' Report in Appendix I to this prospectus) and there had been no event since 31 March 2016 which would materially affect the information shown in the Accountants' Report in Appendix I to this prospectus.

LITIGATION AND REGULATORY COMPLIANCE

Our Directors confirmed that to the best of our Directors' knowledge, information and belief and having made all reasonable enquiries, as at the Latest Practicable Date, (i) our Group was not subject to any ongoing employees' compensation claim or personal injury claim; and (ii) our Group recorded one workplace accident and one fatal traffic accident that occurred during the Track Record Period and up to the Latest Practicable Date, which may give rise to potential employees' compensation or personal injury claims. Please refer to the section headed "Business – Litigation and potential claims" in this prospectus for further details.

NON-COMPLIANCE

During the Track Record Period, there were certain non-compliance incidents of our Group in connection with, among others, our failure to file certain Form 56E and 56F regarding the commencement and cessation of employment of our employees respectively within the prescribed time limit under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong). For details, please refer to the section headed "Business – Non-compliance" in this prospectus.

DEFINITIONS

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

“Accountants’ Report”	the accountants’ report prepared by SHINEWING (HK) CPA Limited, the text of which is set out in Appendix I to this prospectus
“affiliate”	in relation to a body corporate, any subsidiary undertaking or parent undertaking of such body corporate, and any subsidiary undertaking of any such parent undertaking for the time being
“Application Form(s)”	WHITE Application Form(s) and YELLOW Application Form(s) or, where the context so requires, any of them
“Articles of Association” or “Articles”	the articles of association of our Company adopted on 20 September 2016 and as amended from time to time, a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board” or “Board of Directors”	the board of Directors
“Bookrunner” or “CP Securities”	China Prospect Securities Limited
“Building Authority”	the Director of Buildings as defined in the Buildings Ordinance
“Buildings Ordinance”	the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Business Day” or “business day”	any day (other than Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of 599,990,000 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in the paragraph headed “(A) Further Information about Our Company – 3. Written resolutions of our sole Shareholder passed on 20 September 2016” in Appendix IV to this prospectus

DEFINITIONS

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China State Construction”	China State Construction Engineering (Hong Kong) Limited, a subsidiary of China State Construction International Holdings Limited (which has been listed on the Main Board of the Stock Exchange (Stock code: 3311))
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies Law”	the Companies Law, Cap. 22 (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, modified and supplemented from time to time
“Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice”	Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong) as amended and supplemented 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 and supplemented from time to time
“Company”, or “our”, “our Company”, “we” or “us”	CHerish Holdings Limited (東盈控股有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability on 31 March 2016
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and in the case of our Company, refer to Waterfront Palm, Ms. Choi, Mr. Tang and Mr. Kwok as a group of Controlling Shareholders of our Company
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“C&H”	C & H Engineering Company Limited (志洪工程有限公司), a company incorporated in Hong Kong with limited liability on 12 December 2001 and an indirect wholly-owned subsidiary of our Company
“Deed of Indemnity”	a deed of indemnity dated 20 September 2016 and executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for and on behalf of our subsidiaries), particulars of which are set out in the paragraph headed “(E) Other Information – 1. Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	a deed of non-competition dated 20 September 2016 and executed by our Controlling Shareholders and our Company (for ourselves and as trustee for and on behalf of our subsidiaries), in respect of certain non-competition undertakings given by our Controlling Shareholders in favour of us, particulars of which are set out in the section headed “Relationship with the Controlling Shareholders – Non-competition undertaking” in this prospectus
“Development Bureau”	the Development Bureau of the Government
“Director(s)”	the director(s) of our Company
“Euromonitor”	Euromonitor International Limited, an independent market research agency
“Euromonitor Report”	the market research report commissioned by us and prepared by Euromonitor on the overview of the site formation industry in Hong Kong in which our Group operates
“GAAP”	generally accepted accounting principles
“Government”	the government of Hong Kong

DEFINITIONS

“Group”, “we”, “us” or “our”	our Company and its subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries pursuant to the Reorganisation, its present subsidiaries and the businesses operated by such subsidiaries
“HK dollars” or “HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“HKAS”	Hong Kong Accounting Standards
“HKFRS”	Hong Kong Financial Reporting Standards
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Honestly Luck”	Honestly Luck Limited (誠幸有限公司), a company incorporated in the BVI with limited liability on 6 January 2016 and a direct wholly-owned subsidiary of our Company
“Hong Kong” or “HKSAR” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“independent third party(ies)”	an individual(s) or a company(ies) who or which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are independent of and not connected with (within the meaning of the Listing Rules) our Company and its connected persons
“Joint Lead Managers”	China Prospect Securities Limited and Dakin Securities Limited
“Latest Practicable Date” or “LPD”	21 September 2016, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information in this prospectus
“Legal Counsel”	Mr. Chan Chung, barrister-at-law in Hong Kong, who is an independent third party
“Listing”	the listing of the Shares on the Main Board

DEFINITIONS

“Listing Committee”	the listing sub-committee of the directors of the Stock Exchange
“Listing Date”	the date, expected to be on or about 17 October 2016, on which dealings in the Shares first commence
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, modified and supplemented from time to time
“Main Board”	the Main Board of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company adopted on 20 September 2016 and as amended from time to time
“Mr. Kwok”	Mr. Kwok Hoi Chiu (郭海釗先生), an executive Director, our Chief Executive Officer and one of our Controlling Shareholders
“Mr. Tang”	Mr. Tang Man On (鄧民安先生), an executive Director, our Chairman, one of our Controlling Shareholders and the spouse of Ms. Choi
“Ms. Choi”	Ms. Choi Chun Chi Sandy (蔡俊芝女士), an executive Director, one of our Controlling Shareholders and the spouse of Mr. Tang
“New Shares”	the 140,000,000 new Shares to be offered for subscription under the Share Offer
“Offer Price”	HK\$0.70 per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed pursuant to the Share Offer
“Offer Share(s)”	the Public Offer Shares and the Placing Shares

DEFINITIONS

“Over-allotment Option”	the option granted by our Company to the Placing Underwriters, exercisable by the Bookrunner (for itself and on behalf of the Placing Underwriters) subject to the terms and conditions of the Placing Underwriting Agreement pursuant to which our Company may be required to allot and issue up to an aggregate of 27,750,000 additional Offer Shares (representing 15% of the initial number of Offer Shares) to cover over-allocations in the Placing and/or to satisfy the obligation of the Stabilising Manager to return securities borrowed under the Stock Borrowing Agreement
“Placing”	conditional placing of the Placing Shares at the Offer Price to selected professional, institutional and other investors as set out in the section “Structure and Conditions of the Share Offer” in this prospectus
“Placing Shares”	166,500,000 Shares being offered by our Company for subscription under the Placing, subject to re-allocation as described in the section “Structure and Conditions of the Share Offer” in this prospectus
“Placing Underwriters”	the Underwriters of the Placing
“Placing Underwriting Agreement”	the conditional underwriting agreement dated 29 September 2016 relating to the Placing between our Company, our executive Directors, our Controlling Shareholders (including the Selling Shareholder), the Sponsor, the Bookrunner, the Joint Lead Managers and the Placing Underwriters, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“PRC”	the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
“Public Offer”	the offer of the Public Offer Shares for subscription by the members of the public in Hong Kong for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), payable in full on application, and subject to the terms and conditions described in this prospectus and the Application Forms

DEFINITIONS

“Public Offer Shares”	the 18,500,000 Shares initially being offered for subscription under the Public Offer, subject to re-allocation as described in the section “Structure and Conditions of the Share Offer” in this prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer
“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 29 September 2016 relating to the Public Offer between our Company, our executive Directors, our Controlling Shareholders (including the Selling Shareholder), the Sponsor, the Bookrunner, the Joint Lead Managers and the Public Offer Underwriters, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing, particulars of which are summarised in the section headed “History and Development – Reorganisation” in this prospectus
“Sale Shares”	the 45,000,000 Offer Shares offered by the Selling Shareholder at the Offer Price under the Share Offer
“Selling Shareholder”	Waterfront Palm, our existing Shareholder who has offered to sell the Sale Shares in the Share Offer
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of our Company, which are to be traded in Hong Kong dollars and listed on the Main Board
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 20 September 2016, the principal terms of which are summarised in the paragraph “(D) Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of the Share(s)

DEFINITIONS

“Sponsor” or “Dakin Capital”	Dakin Capital Limited, a corporation licensed to carrying on type 6 (advising on corporate finance) regulated activity under the SFO, acting as the sponsor of the Listing
“Stabilising Manager”	China Prospect Securities Limited
“Stock Borrowing Agreement”	the stock borrowing agreement dated 29 September 2016 entered into between Waterfront Palm and the Stabilising Manager, pursuant to which the Stabilising Manager may borrow up to 27,750,000 Shares to cover any over-allocations in the Share Offer
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and details of our Substantial Shareholders are set out in the section headed “Substantial Shareholders” in this prospectus
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs, as amended, modified and supplemented from time to time
“Tall Too”	Tall Too Limited (亦高有限公司), a company incorporated in the BVI with limited liability on 16 December 2015 and an indirect wholly-owned subsidiary of our Company
“Track Record Period”	comprises the three financial years ended 31 March 2014, 2015 and 2016
“Underwriters”	the Public Offer Underwriter(s) and the Placing Underwriter(s), details of which are set out in the section headed “Underwriting – Underwriters” in this prospectus
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United States”	United States of America
“U.S. Securities Act”	the United States Securities Act of 1993 (as amended from time to time)
“US\$”	United States dollars, the lawful currency of the United States

DEFINITIONS

“Waterfront Palm”	Waterfront Palm Limited, a company incorporated in the BVI with limited liability on 8 October 2015 and our Controlling Shareholder which is owned as to 50% by Ms. Choi, as to 40% by Mr. Tang and as to 10% by Mr. Kwok
“WHITE Application Form(s)”	the application form(s) for the Public Offer Shares for use by the public who require such Public Offer Shares to be issued in the applicant’s own name
“YELLOW Application Form(s)”	the application form(s) for the Public Offer Shares for use by the public who require such Public Offer Shares to be deposited directly into CCASS
“sq.ft.”	square foot
“sq. m.” or “m ² ”	square metre(s)
“%”	per cent.

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

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain terms used in this prospectus as they relate to our Company and as they are used in this prospectus in connection with our business or us. These terms and their given meanings may not correspond to standard industry definitions or usage of those terms.

“bills of quantities”	a list of items included in a works contract providing description, quantity and the unit price of the work to be performed to provide a means of valuing the works performed by a contractor
“CAGR”	compound annual growth rate
“CEDD”	Civil Engineering and Development Department of the Government
“construction and demolition materials”	construction and demolition materials, being any substance, matter or thing which is generated as a result of construction work and abandoned whether or not it has been processed or stockpiled before abandoned. It is a mixture of surplus materials arising from site clearance, excavation, construction, refurbishment, renovation, demolition and road works
“Construction Industry Council”	the Construction Industry Council in Hong Kong, a statutory body established on 1 February 2007 pursuant to the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong)
“Dangerous Goods (General) Regulations”	Dangerous Goods (General) Regulations (Cap 295B of the Laws of Hong Kong) as amended and supplemented from time to time
“Dangerous Goods Ordinance”	the Dangerous Goods Ordinance (Chapter 295 of the Laws of Hong Kong) as amended and supplemented from time to time
“ELS”	excavation and lateral support, the system of construction works for the purposes of shoring support in the excavated area and, if applicable, drainage measures and avoidance of adverse effect on the adjacent structures
“Employees’ Compensation Ordinance”	the Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) as amended and supplemented from time to time

GLOSSARY OF TECHNICAL TERMS

“Inland Revenue Ordinance”	the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) as amended and supplemented from time to time
“ISO”	an acronym for a series of quality management and quality assurance standards published by International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“ISO 9001”	ISO 9001 is an internationally recognised standard for a quality management system. It aims at the effectiveness of the quality management system in meeting customer requirements. It prescribes requirements for ongoing improvement of quality assurance in design, development, production, installation and servicing
“ISO 14001”	ISO 14001 is an internationally recognised standard for the environmental management of businesses. It aims at recognising the desirable behaviour of businesses concerning the environment. It prescribes controls for an encompassing range of corporate activities which include the use of natural resources, handling and treatment of waste and energy consumption
“List of Approved Contractors for Public Works”	List of Approved Contractors for Public Works as kept by the Development Bureau
“main contractor”	in respect of a construction project, a contractor who is appointed by the project employer or the project employer’s construction consultant and who generally oversees the progress of the entire construction project and delegate different work tasks of the construction to other subcontractors
“Mines Division”	the Mines Division of the Civil Engineering and Development Department of the Government
“Mines (Safety) Regulations”	Mines (Safety) Regulations (Chapter 285B of the Laws of Hong Kong)
“OHSAS”	Occupational Health and Safety Assessment Specification, an international assessment specification for occupational health and safety management system

GLOSSARY OF TECHNICAL TERMS

“OHSAS 18001”	OHSAS 18001 is an internationally recognised specification for Occupational Health and Safety Management Systems. It specifies requirements for an occupational health and safety management system to enable an organisation to develop and implement a policy and objectives which take into account legal requirements and information about occupational risks and to improve their occupational safety and health performance
“pile cap”	a reinforced concrete structure built on top of a pile or a group of piles for transmission of loads to support the structure above
“practical completion certificate”	a document signifies that the works have been completed for all practical purposes
“private sector projects”	works contracts that are not public sector projects
“public sector projects”	works contracts that originate from the Government or statutory bodies
“quotation”	the type of contracts with our suppliers and/or subcontractors secured by request for quotation from the relevant suppliers and/or subcontractors
“schedule of rates”	a set of general regulations and special conditions governing the execution of work and payment for works performed
“site formation works”	in respect of our business, generally refer to excavation and/or filling works for forming a new site or achieving designed formation level for later development
“SOPL”	Security of Payment Legislation for the Construction Industry, details of which are set out in the section headed “Laws and Regulations – C. Contractor licensing regime and operation” in this prospectus
“subcontractor”	in respect of a construction project, a contractor who is appointed by the main contractor or by another subcontractor involved in the construction and who generally carries out specific work tasks of the construction

GLOSSARY OF TECHNICAL TERMS

“tender contract”	the type of contracts with customers obtained by tendering which usually require recurring services for a specific period and details of which are set out under the section headed “Business – Customers – Major terms of engagement with our customers” in this prospectus
“variation order”	an order placed by customer during the course of project execution concerning variation to part of the works that is necessary for the completion of the project, which may include (i) additions, omissions, substitutions, alterations, and/or changes in the quality, form, character, kind, position, dimension or other aspect of the works; (ii) changes to any sequence, method or timing of construction specified in the main contract; and (iii) changes to the site or entrance to and exit from the site

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. In some cases the words such as “aim”, “anticipate”, “believe”, “estimate”, “expect”, “going forward”, “intend”, “may”, “plan”, “potential”, “predict”, “propose”, “seek”, “should”, “will”, “would” and other similar expressions, and the negative of these words, are used to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our Group’s business and operating strategies and plans of operation;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our Group’s business;
- our Company’s dividend distribution plans;
- our financial conditions;
- availability of bank loans and other forms of financing;
- the regulatory environment as well as the general industry outlook for the industry in which our Group operate;
- estimates of capacities and operating costs;
- future developments in the industry in which our Group operates; and
- the trend of the economy of Hong Kong, the PRC and the world in general.

These statements reflect the current views of our Directors with respect to future events, operations, liquidity and capital resources, and are based on several assumptions, including those regarding our Group’s present and future business strategies and the environment in which our Group will operate in the future.

Our Group’s future results could differ materially from those expressed or implied by such forward-looking statements. In addition, our Group’s future performance may be affected by various factors including, without limitation, those discussed in the sections “Risk Factors” and “Financial Information”, many of which are not within our Company’s control.

Should one or more risks or uncertainties stated in the aforesaid sections materialise, or should any underlying assumptions prove to be incorrect, actual outcomes may vary materially from those indicated. Prospective investors should therefore not place undue reliance on any of the forward-looking statements. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements as set out in this section.

FORWARD-LOOKING STATEMENTS

In this prospectus, statements of, or references to, our Group's intentions or those of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

RISK FACTORS

You should carefully consider all of the information in this prospectus including the risks and uncertainties described below before making an investment in the Share Offer. You should pay particular attention to the fact that the legal and regulatory environment in Hong Kong may differ in some respects from that which prevails in other countries. The business, financial condition or results of operations of our Group could be materially and adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks and uncertainties, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

The amount of revenue that we are able to derive from a project may be higher or lower than the original contract sum due to factors such as variation orders

The aggregate amount of revenue that we are able to derive from a project may be different from the original contract sum specified in the relevant contract for the project due to factors such as variation orders (including additions, reductions and/or other changes in the scope of the works) placed by our customers from time to time during the course of project execution. As such, there is no assurance that our projects on hand will not be substantially lower than the original contract sum as specified in the relevant contracts and hence, our profitability will be adversely affected.

In respect of our projects completed during the three years ended 31 March 2016 where the amount of revenue recognised were lower than the original contract sum, such differences amounted to an aggregate of HK\$10.8 million, HK\$0.5 million and HK\$14.3 million respectively. In respect of our projects completed during the same periods, where the amount of revenue recognised were higher than the original contract sum, such differences amounted to an aggregate of approximately HK\$38.7 million, nil and HK\$0.2 million respectively (whereas our total revenue amounted to approximately HK\$83.9 million, HK\$139.4 million, and HK\$210.0 million for the three years ended 31 March 2016). For further details, please refer to the section headed “Business – Operation flow – Project completion”.

RISK FACTORS

The variation orders resulting reduction of contract sum (the “**Negative Variation Order(s)**”) have resulted in subsequent adjustments to the costs of sales and deviation of gross profit from the preliminary assessment conducted by our Group’s management in the tender analysis during the Track Record Period. The following analysis illustrates the impact of the Negative Variation Orders on revenue, gross profit/net profit before taxation and gross profit/net profit (before taxation) margin, for the three years ended 31 March 2016:

	For the year ended 31 March		
	2014	2015	2016
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Original contract sum	94,738	139,818	224,351
Amount of Negative Variation Orders	<u>(10,791)</u>	<u>(451)</u>	<u>(14,305)</u>
Actual amount of revenue recognised (as per audited financial statements)	<u>83,947</u>	<u>139,367</u>	<u>210,046</u>
Gross profit under original contract sum	16,184	35,327	43,249
Impact of Negative Variation Orders on gross profit	<u>(1,251)</u>	<u>(91)</u>	<u>(749)</u>
Gross profit (as per audited financial statements)	<u>14,933</u>	<u>35,236</u>	<u>42,500</u>
Net Profit before taxation under original contract sum	12,697	30,834	35,348
Impact of Negative Variation Orders on net profit before taxation (assuming other variables, including administrative and other expenses remain constant)	<u>(1,251)</u>	<u>(91)</u>	<u>(749)</u>
Net profit before taxation (as per audited financial statements)	<u>11,446</u>	<u>30,743</u>	<u>34,599</u>

Based on the above analysis, assuming the Negative Variation Orders not taken place, (i) the gross profit and net profit before taxation for the three years ended 31 March 2016 will be increased by approximately HK\$1.3 million, HK\$91,000 and HK\$0.7 million respectively; (ii) the gross profit margin during the Track Record Period will be decreased from approximately 17.8%, 25.28%, 20.2% respectively to 17.1%, 25.27% and 19.3% respectively; and (iii) the net profit (before taxation) margin during the Track Record Period will be decreased from approximately 13.6%, 22.06% and 16.5% respectively to approximately 13.4%, 22.05% and 15.8% respectively.

RISK FACTORS

The following sensitivity analysis illustrates the impact of hypothetical changes of variation orders on profit before taxation for the year ending 31 March 2017, with reference to (i) the historical increase/reduction in contract sum resulting from variation orders during the Track Record Period; (ii) projects on hand as at the Latest Practicable Date with revenue expected to be recognised for the year ending 31 March 2017 and (iii) other variables, including cost of sales and administrative expenses remain constant for the year ending 31 March 2017:

	Impact on profit before taxation For the year ending 31 March 2017 HK'000
Variation order	
+10%	24,201
+5%	12,100
-5%	(12,100)
-10%	(24,201)

As at the Latest Practicable Date, we had a total of seven projects on hand (including projects that have commenced but not completed as well as projects that have been awarded to us but not yet commenced), with total amount of revenue expected to be recognised from such projects on hand amounting to approximately HK\$242.0 million for the year ending 31 March 2017 and nil after 31 March 2017. Due to the reasons mentioned above, there is no assurance that the actual amount of revenue to be recognised from our projects on hand will not be substantially different from such estimated figures and hence, our profitability and financial positions may be fluctuated substantially.

We rely on the availability of public sector site formation projects in Hong Kong and any failure of our Group to secure public sector projects would adversely affect our operations and financial results

We have relied and will continue to focus on public sector site formation projects which by their nature are only procured by our customers from a limited number of project employers who are normally Government departments and statutory bodies. For the three years ended 31 March 2016, our revenue attributable to public sector projects amounted to approximately HK\$79.8 million, HK\$138.5 million and HK\$155.0 million, respectively, representing approximately 95.0%, 99.3% and 73.8% of our total revenue, respectively. Contracts from the Government and statutory bodies are normally awarded to main contractors by way of public tender and there is no assurance that we will continue to obtain these public sector contracts originated from the Government and statutory bodies in the future. Since we are not registered on the List of Approved Contractors for Public Works as kept by the Development Bureau, we are not directly eligible to tender for public projects. As such, we have to rely on main contractors that are included on the List of Approved Contractors for Public Works for these projects and if we are able to successfully tender for such projects from these main contractors, they will engage our Group as subcontractor of

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such public projects. If we are unable to successfully tender for public sector contracts from our main contractor customers or if there is a significant decrease in our tender success rate, our business operations, financial results and profitability will be adversely affected.

Furthermore, the Government's spending budget on construction projects (including those involving site formation works, being the principal type of works we undertook during the Track Record Period) may change from year to year, which in turn may be affected by various factors, including but not limited to the amount of investment and the public policy in the construction of new infrastructure and improvement of existing infrastructure by the Government, the general financial conditions of the Government and other factors and economic conditions generally affecting the construction industry in Hong Kong. Any material delay, suspension, termination or reduction of number or contract value of public sector projects may adversely affect our revenue, hence our results of operations. In the event that the Government reduces or delays its level of spending on construction projects and our Group fails to secure sufficient business from the private sector, the business and financial positions and prospects of our Group could be materially and adversely affected.

Our revenue is mainly derived from projects which are non-recurrent in nature and any failure of our Group to secure tender contracts would affect our operations and financial results

Most of our revenue is derived from contracts awarded through competitive tendering and is not recurring in nature. During the Track Record Period, all of our revenue were derived from tender contracts. The contract period for our projects generally ranges from one month to two years. We generally submit new tenders or bid for new contracts from time to time and there is a risk that we may not succeed in tendering for new projects upon the expiry of our contract. Moreover, there is no assurance that the terms and conditions of the new contracts would be comparable to the existing contracts or our tenders would be selected by customers. In the competitive tendering process, we may have to lower our service charges or offer more favourable terms to our customers in order to increase the competitiveness of our tenders. If we are unable to reduce our costs accordingly and maintain our competitiveness, our results of operations would be adversely affected. Furthermore, so far as our Directors are aware, most of our customers have maintained an evaluation system to ensure that the service providers meet certain standards of management, industrial expertise, financial capability, reputation and regulatory compliance which may change from time to time. There is no assurance that we will meet our customers' tendering requirements in which case we may not be granted the tender and our reputation, business operations, financial condition and results of operations may be adversely affected.

For the three years ended 31 March 2016, we recorded a tender success rate of approximately 15%, 21% and 23% respectively. There is no assurance that our Group could achieve the same or higher tender success rate in the future as we did in the past. In the event that our Group fails to secure new contracts or there is a significant reduction of contracts for bidding in the future, the business and financial positions and prospects of our Group could be materially and adversely affected.

RISK FACTORS

Error or inaccurate estimation of project duration and costs when determining the tender price may result in substantial loss incurred by us

Construction contracts and in particular public projects are normally awarded through a competitive tendering process. We determine a tender price by estimating the construction costs under the contract duration as specified in the tender invitation documents. There is no assurance that tenders submitted by us contain no mistake and error. Such mistakes and errors may be in the form of inaccurate estimation, oversight of important tender terms, inadvertent typographical errors, errors in calculations, etc. In case of contracts awarded to us with mistakes or errors in the submitted tender, we may be bound by the contract to undertake the project at a substantial loss.

Inaccurate estimation on project schedule, project costs and technical difficulties in the tendering process may result in cost overruns when we actually execute the awarded project. Many factors affect the time taken and the costs actually involved in completing construction projects undertaken by us. Examples of such factors include shortage and cost escalation of labour and materials, difficult geological conditions, adverse weather conditions, variations to the construction plans instructed by customers, stringent technical construction requirements, threatened claims and material disputes with main contractors, subcontractors and suppliers, accidents, and changes in the Government's policies. Other unforeseen problems or circumstances may also occur during project implementation. If any of such factors arises and remains unresolved, completion of construction works may be delayed or we may be subject to cost overruns or our customers may even be entitled to unilaterally terminate the contract.

Some of our contracts contain specific completion schedule requirements and liquidated damages provisions (i.e. we may be liable to pay the customer liquidated damages if we do not meet the schedules). Any failure to meet the schedule requirements of our contracts could cause us to pay significant liquidated damages, which would reduce or eliminate our profit expected from the relevant contracts.

A project may be delayed or its costs may be increased because of delays during the process of obtaining any specific permits or approvals from relevant agencies or authorities of the Government. Failure to complete construction according to specifications and quality standards may result in disputes, contract termination, liabilities and/or lower returns than anticipated on the construction project concerned. Such delays or failure to complete and/or unilateral termination of a contract by customers may cause our revenue or profitability to be lower than we originally expected. We cannot guarantee that we will not encounter cost overruns or delays on our current and future construction projects. If such cost overruns or delays occur, we may experience increases in costs exceeding our budget or be required to pay liquidated damages, hence reduction in or elimination of the profits on our contracts.

We have concentrated customer base and any decrease in the number of projects with our five largest customers would adversely affect our operations and financial results

A significant portion of our revenue was derived from a small number of customers during the Track Record Period. Our five largest customers' revenue contribution for the three years ended 31 March 2016 accounted for approximately 100%, 100% and 96.2% of

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our revenue of the same period, respectively. For the same period, our largest customer of the respective financial year, accounted for approximately 62.0%, 99.3% and 39.1% of our revenue, respectively. Please refer to the section headed “Business – Customers – Customer concentration” in this prospectus for further details.

During the Track Record Period and up to the Latest Practicable Date, we did not enter into any long-term service agreement or master service agreement with our customers. Our site formation works contracts are entered into on a project-by-project basis. As such, there is no assurance that we will be able to retain our customers upon expiry of the contract period or that they will maintain their current level of business with us in the future. If there is a significant decrease in the number of projects or size of projects in terms of contract sums awarded by our five largest customers to us for whatever reasons, and if we are unable to obtain suitable projects of a comparable size and quantity as replacement, our financial conditions and operating results will be materially and adversely affected. Besides, if any of our five largest customers experiences any liquidity problem, it may result in delay or default in settling progress payments to us, which in turn will have an adverse impact on our cash-flows and financial conditions. We cannot guarantee that we will be able to diversify our customer base by obtaining significant number of new projects from our existing and potential customers.

Our past revenue and profit margin may not be indicative of our future revenue and profit margin

For the three years ended 31 March 2016, our revenue amounted to approximately HK\$83.9 million, HK\$139.4 million and HK\$210.0 million, respectively; our gross profit amounted to approximately HK\$14.9 million, HK\$35.2 million and HK\$42.5 million, respectively (representing gross profit margin of approximately 17.8%, 25.3% and 20.2%, respectively); while our net profit amounted to approximately HK\$9.7 million, HK\$25.7 million and HK\$28.4 million, respectively (representing net profit margin of approximately 11.5%, 18.4% and 13.5%, respectively).

However, such trend of historical financial information of our Group is a mere analysis of our past performance only and does not have any positive implication or may not necessarily reflect our financial performance in the future which will depend on our capability to secure new business opportunities and to control our costs. Profit margins for our contracts may fluctuate from project to project due to factors such as the amount of labour resources required, the type of construction techniques, machinery employed. There is no assurance that our profit margins in the future will remain at a level comparable to those recorded during the Track Record Period. Our financial condition may be adversely affected by any decrease in our profit margins.

If progress payment or retention money is not paid to us in full as a result of disputes over our work done, our liquidity position may be adversely affected

We normally receive progress payment from our customers. Progress payment is generally made monthly by reference to the value of works done in that month. A portion of contract value (which generally is subject to a maximum of 2.5% or 5% of the total contract

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value) is usually withheld by our customers as retention money. Please refer to the section headed “Business – Customers – Major terms of engagement with our customers” in this prospectus for further details.

As at 31 March 2014, 2015 and 2016, retention monies receivables of approximately HK\$7.1 million, HK\$9.6 million and HK\$22.4 million, respectively, were retained by our customers.

There is no assurance that progress payment will always be certified and paid to us in full, or the retention money will be paid by our customers to us in full. Partial payment or failure by our customers to make remittance at all as a result of disputes over our works done may have an adverse effect on our liquidity position.

Any failure, damage or loss of our machinery and equipment may adversely affect our operations and financial performance

Our site formation works rely on machinery and equipment. Market developments in and demand for different construction techniques and different types of machinery and equipment may change continuously. If we fail to remain attentive to and invest in suitable site equipment to cope with any latest development in such market trends or demands and to cater to different needs and requirements of different customers, our overall competitiveness and thus our financial performance and operation results may be adversely affected.

In addition, there is no assurance that our machinery and equipment will not be damaged or lost as a result of, among others, improper operation, accidents, fire, adverse weather conditions, theft or robbery. In addition, machinery and equipment may break down or fail to function normally due to wear and tear or mechanical or other issues. If any failed, damaged or lost site equipment cannot be repaired and/or replaced in a timely manner, our operations and financial performance could be adversely affected.

Furthermore, we plan to acquire additional machinery and equipment by utilising a portion of the net proceeds from the Share Offer so as to enhance our technical ability and to strengthen our capability to cater to different needs and requirements of different customers. Please refer to the sections headed “Business – Business strategies” and “Future plans and use of proceeds” in this prospectus for details of the types of machinery and equipment to be purchased and the intended timing of deployment of the net proceeds in this regard. As a result of the purchase of additional machinery and equipment, it is expected that additional depreciation will be charged to our profit or loss and may therefore affect our financial performance and operating results.

There is no assurance that the Technical Circular (Works) No. 1/2015 issued by the Works Branch of Development Bureau (the “Technical Circular”) or other similar administrative promulgations issued by the Government will not have any negative impact on our Group

The Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation was gazetted on 23 January 2015 and came into effect on 1 June 2015 to introduce regulatory control on the emissions of non-road mobile machinery. On 8 February 2015, the Works

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Branch of Development Bureau issued the Technical Circular, pursuant to which the Government has promulgated an implementation plan to phase out progressively the use of exempted non-road mobile machinery (“NRMM”) for four types of exempted NRMM, namely generators, air compressors, excavators and crawler cranes in new capital works contracts of public, including design and build contracts, with an estimated contract value exceeding HK\$200 million and tenders invited on or after 1 June 2015. For details of the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation and the Technical Circular, please refer to the paragraph headed “Laws and Regulations – Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (Chapter 311Z of the Laws of Hong Kong)” in this prospectus.

As at the Latest Practicable Date, our Group has 52 regulated machines and out of which four machines were exempted and 48 machines were approved with a proper label in a prescribed format issued by the Hong Kong Environmental Protection Department under the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation, details of which are set out in the section headed “Laws and Regulations – B. Environmental Protection – Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulations (Chapter 311Z of the Laws of Hong Kong)”. Of the four exempted regulated machines owned by our Group as at Latest Practicable Date, the air compressor and two hydraulic excavators are subject to the phase-out plan as detailed in the Technical Circular. The Technical Circular aims to require the relevant departments of the Government to include specific terms of limiting the quantity of exempted NRMMs to certain percentage in the contract made with the main contractors in the construction industry. It is neither binding nor regulatory to our Group’s business operations and any breach of such terms shall only amount to a breach of contract by the respective main contractor under the contract with the relevant department of the Government to which our Group is not a party. Nevertheless, we cannot assure that the Government will not extend the scope of the said implementation plan or issue other similar administrative promulgations which may cause any potential negative impact to our Group’s business operation and the construction industry as a whole. If there is such extension of the scope and promulgations, our business operation, financial status, results and prospect in the future may be materially and adversely affected.

Cash inflows and outflows in connection with construction projects may be irregular, thus may affect our net cash flow position

Cash flows from operating activities primarily consisted of our Group’s revenues from site formation projects undertaken by us. For the three years ended 31 March 2016, we recorded a net operating cash inflow of approximately HK\$13.1 million, HK\$57.3 million and HK\$26.2 million, respectively.

In a construction project, net cash outflows to pay certain operating expenditures may not align with progress payments to be received at the relevant periods. Progress payments will be paid after our construction works commence and are certified by our customers (or authorised persons employed by them). Accordingly, the cash inflow and outflow for a particular project may fluctuate as the construction works proceed. If during any particular period of time, there exists too many projects which require substantial cash outflow while we have significantly less cash inflows during that period, our cash flow position may be adversely affected.

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Unsatisfactory performance by our subcontractors or unavailability of subcontractors may adversely affect our operations and profitability

Depending on the availability of our labour resources and the opportunity cost of performing the work with our own resources, we may subcontract part of our works to other subcontractors. Please refer to the section headed “Business – Suppliers – Subcontractors” in this prospectus for further details. For the three years ended 31 March 2016, subcontracting charges incurred by us amounted to approximately HK\$22.1 million, HK\$15.0 million and HK\$109.7 million, respectively. There is no assurance that we are able to monitor the performance of these subcontractors as directly and efficiently as with our own staff. In addition, our inability to hire qualified subcontractors could hinder our ability to complete a project within the prescribed deadline.

Outsourcing exposes us to risks associated with non-performance, delayed performance or substandard performance by subcontractors or third parties. Accordingly, we may experience deterioration in the quality or delay in completion of our projects. We may also incur additional costs due to the delays or a higher price in sourcing the services, equipment or supplies in default. We are usually liable for our subcontractors’ default. These events may have impact upon our profitability, financial performance and reputation, as well as result in litigation or damages claims.

Our subcontractors may be exposed to charges in relation to violation of safety, environmental and/or employment laws and regulations which may affect their renewal of relevant licences or may even lead to revocation of their licences. If this happens in our projects, we will have to appoint another subcontractor(s) for replacement and thus additional costs may be incurred.

If our subcontractors violate any laws, rules or regulations in relation to health and safety matters, we may sometimes be subject to prosecutions as primary defendant by relevant authorities. For instance, under the Immigration Ordinance (Chapter 115 of the Laws of Hong Kong), if a subcontractor employs an illegal immigrant on a construction site, the construction site controller (including but not limited to the principal or main contractor and the subcontractor) may be found to have committed an offence and liable to a fine. In addition, we may be liable to claims for losses and damages, if such violations cause any personal injuries/death or damage to properties. Moreover, pursuant to the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), a principal contractor or a main contractor and every tier of subcontractors shall be jointly and severally liable to pay any wages that become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). Our operations and hence our financial position may thereby be adversely affected if any of our subcontractors violate their obligations to pay their employees.

We are exposed to certain inherent risks relating to site formation works

It is not unusual to encounter difficult or dangerous conditions at the underground level or at the works site, such as artificial underground obstruction, relic, bomb, contaminated soil, presence of unknown obstacles due to historical use of site, existing methane gas

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generated during construction, fire hazard, flooding risk (including storm surge effect), collapse of temporary structure, land subsidence, which may not have been anticipated at the preliminary stage. Such difficult or dangerous conditions at the underground level or at the works site may make our site formation works difficult, affect our work progress, incur higher project expenses and result in personal injuries or even fatality of our site workers. Furthermore, services utilities, such as fresh and flush water mains, low or high voltage electric cables, optical fibre telephone lines, cable television fibre and high pressure gas mains, are laid underground in Hong Kong. There is no assurance that damage to those utilities will not occur during our excavation works. Accordingly, we may be liable to the costs for the repair of such damaged services utilities. In the event that we have committed to a fixed sum or rate contract and that no adjustment to the contract sum could be agreed with our customers, we may have to bear such increased expenses ourselves and our profitability would be adversely affected.

Certain risks involved in our business operation are generally not insured

There are certain types of losses for which insurance coverage is not generally available (such as risks in relation to customer concentration, our ability to secure new contractors, potential claims arising from latent defects liability, estimation and management of costs, subcontractors' performance, liquidity risk, collectability of our trade and retention receivables and liabilities arising from events such as epidemics, natural disasters, adverse weather conditions, political unrest and terrorist attacks, etc.) on commercial terms acceptable to us, or at all. If we suffer any losses, damages or liabilities in the course of our business operations arising from events for which we do not have any or adequate insurance cover, we have to bear such losses, damages or liabilities by ourselves. In that case, our business operations, financial condition and results of operations may be adversely affected.

We depend on key management personnel

Our success and growth depends on our ability to identify, hire, train and retain suitable, skilled and qualified employees, including management personnel with the requisite industry expertise. Our Directors and members of senior management, in particular, our executive Directors are important to us. Details of their expertise and experience are set out in the section headed "Directors and Senior Management" in this prospectus. If any of our executive Directors ceases to be involved in the management of our Group in the future and our Group is unable to find a suitable replacement in a timely manner, there could be an adverse impact on our business, results of operation and profitability of our Group.

Working capital requirements associated with undertaking contract works and failure by customers to make timely or full payments may lead to liquidity risk

When undertaking contract works, after we apply for payment from our customers, there is generally a verification process on works completed and we cannot guarantee that our customers will pay in a timely manner or the full amount invoiced by us. Furthermore, some of our customers may also require us to take out surety bonds issued by banks or insurance companies in the amount of certain percentage of the contract sum in favour of our customers, which may result in the lock-up of a portion of our capital for potentially a prolonged period of time and thereby affecting our liquidity position. For further

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information, please refer to the section headed “Business – Customers – Major terms of engagement with our customers” in this prospectus. If we fail to properly manage our liquidity position in view of such working capital requirements, our cash flows and financial position could be materially and adversely affected.

We are subject to credit risk in respect of our trade and other receivables

Although the majority of our revenue during the Track Record Period was derived from the public sector projects, there can be no assurance that our customers (in particular, customers of our private sector projects) will settle our invoices on time and in full. In addition, when undertaking contract works, some of our customers may, depending on the contract terms, hold up a certain percentage of each payment made to us as retention money. Such percentage is generally 5% or 10%, subject to a ceiling of up to 2.5% or 5% of the total contract sum of the projects in general. Retention money withheld are normally released to us after the receipt of completion certificate and/or the expiry of the defect liability period. However, there can be no assurance that such retention money will be released by our customers to us on a timely basis and in full accordingly.

As at 31 March 2014, 2015 and 2016, we recorded trade receivables of approximately HK\$4.8 million, HK\$0.6 million and HK\$6.8 million respectively, of which approximately nil, nil and HK\$4,000, respectively, have been past due but not impaired. As at 31 March 2014, 2015 and 2016, we recorded retention receivables of approximately HK\$7.1 million, HK\$9.6 million and HK\$22.4 million respectively. For each of the three years ended 31 March 2016, our trade receivables turnover days were approximately 10.6 days, 7.2 days and 6.4 days respectively.

We had concentration of credit risk as approximately 41%, 45% and 58% of our total trade receivables as at 31 March 2014, 2015 and 2016, respectively, were due from our largest customer in respective financial year, and approximately 100%, 100% and 59% from our five largest customers. The aggregate amounts of trade receivables amounted to approximately HK\$2.0 million, HK\$0.3 million and HK\$4.0 million from our largest customer in respective financial year, and HK\$4.8 million, HK\$0.6 million and HK\$4.0 million from our five largest customers, as at 31 March 2014, 2015 and 2016 respectively. Any difficulty in collecting a substantial portion of our trade and other receivables could materially and adversely affect our cash flows and financial positions.

We may experience uncertainty on the commencement date for our public sector projects if there are failures or delays in passing funding for public works proposals by committees of the Legislative Council due to lawmakers’ filibustering

In recent years, filibustering by Hong Kong lawmakers’ has in certain cases led to the failure or delay of passing of funding for certain public sector projects proposals by the committees of the Legislative Council. Given that the majority of our revenue during the Track Record Period was derived from public sector projects and the work schedule of our

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projects impacts on the revenue recognised each year, there is a risk that after being awarded the tender for a public sector project, there may be uncertainty on the commencement date, which may adversely affect our operations and financial position including but not limited to our revenue for specific years, resource allocation and our analysis of the forecasted amount and timing of cash inflows and outflows in relation to our projects.

We are exposed to claims arising from latent defects liability

We do not maintain any defects liability insurance and we may face claims arising from latent defects that are existing but not yet active, developed or visible, found in the works which are constructed by us. If there is any significant claim against us for defects liability of any default or failure of our services by our customers or other party, our profitability may be adversely affected.

If any defect is claimed under the defect liability period, the amount claimed by our customers or rectification costs on the defects incurred by us will be charged to profit or loss and deducted against the retention money withheld by our customers (i.e. retention receivable) when those costs are incurred. If the defect is found and claimed by our customers after the defect liability period, we will assess the possible obligation arising from the claim. Such obligation will be recognised as liability in the statement of financial position if the obligation is considered highly probable and the obliged amount can be reliably measured. Otherwise, such claim will be disclosed as contingent liability.

We engage third parties for transporting certain of our machinery and equipment which we are not able to transport and may not be able to claim for loss or damage to our machinery and equipment during the transportation process

During the Track Record Period, we engaged third parties to transport certain of our machinery and equipment between sites. We only purchase machinery and equipment insurance policy for machinery that are under finance leases. As such, we may not be able to claim for any loss or damage to our machinery and equipment during the transportation process, which could materially and adversely affect our business, financial conditions and results of operation.

We plan to expand our capacity by acquiring machinery and equipment, which may result in an increase in depreciation expenses and cashflow used in investing activities and may adversely affect our operating results and financial position

We rely heavily on the use of machinery and equipment, including, among other, hydraulic excavators, hydraulic hammers, drill rigs, jumbo drill rigs, shotcrete machines, loaders and air compressors. As at the Latest Practicable Date, we had 80 units of machinery and equipment with an aggregate net book value of approximately HK\$17.6 million. For each of the three years ended 31 March 2016, we acquired new machinery and equipment in the amount of approximately HK\$8.5 million, HK\$7.7 million and HK\$11.6 million at cost, respectively. To further enhance and optimise our overall efficiency and capacity as well as technical capability in performing our works, we intend to acquire additional drill rigs, hydraulic excavators, air compressors, crawler cranes, hydraulic hammers and shotcrete

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machines. The expected total capital expenditure for the acquisition of the aforesaid machinery and equipment will be approximately HK\$47.2 million and we estimate such acquisitions will be fully financed as to HK\$47.2 million (or approximately 59.5% of the net proceeds) from the Share Offer.

As a result of the acquisition of machinery and equipment using the net proceeds from the Share Offer, our cash flow used in investing activities is expected to increase by approximately HK\$29.4 million and HK\$17.8 million during the years ending 31 March 2017 and 2018, respectively. Our Directors further estimate that assuming all other things remain unchanged, our depreciation expenses will increase and our gross profit will decrease by approximately HK\$3.5 million and HK\$11.8 million during the years ending 31 March 2017 and 2018, respectively. Accordingly, our operating results and financial position may be adversely affected.

We are subject to environmental liability

Our business is subject to the environmental regulations and guidelines issued by the Government, which apply to the operation of all construction projects in Hong Kong. Such regulations and guidelines may be amended by the Government from time to time to reflect the latest environmental needs. Any changes to such regulations and guidelines could impose additional cost and burden to us.

Industrial actions or strikes may affect our business

Typical construction works are divided into various disciplines, and each requires highly specialised labour. Industrial action of any one discipline may disrupt the progress of our construction works. During the Track Record Period, our projects did not encounter any strike action. However, there is no assurance that industrial actions or strikes will not be launched in the future. Such industrial actions or strikes may adversely impact our business performance and hence profitability and results of operation. Any delays in completing our projects caused by such action may affect our business, financial conditions and results of operations.

Personal injuries, property damages or fatal accidents may occur if safety measures are not followed at the construction sites

In the course of our operations, we require our employees and subcontractors to adhere to and implement all the safety measures and procedures as stipulated in our work and safety policy. We monitor and supervise closely our employees in the implementation of all such safety measures and procedures during execution of works. However, we cannot guarantee that our employees or subcontractors will not violate the applicable laws, rules or regulations. If any such employees or subcontractors fails to comply with our safety measures at the construction sites, personal injuries, property damage or fatal accidents may occur in greater numbers and/or to a serious extent. Please refer to the section headed “Business – Occupational health and safety – System of recording and handling accidents and our safety compliance record” in this prospectus for further information on the material accidents we encountered during the Track Record Period. These may adversely affect the

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financial position of our Group to the extent not fully recoverable from our insurance policies. They may also cause our relevant licence and/or certifications to be suspended or not renewed.

Furthermore, public project tenders are generally evaluated by taking into account a number of factors, which include without limitation the subcontractor's compliance records with the relevant laws and regulations. We may also be subject to inspections by the relevant Government departments (e.g. Labour Department) from time to time and these inspections may lead to formal charge(s) against our Group. Non-compliance and conviction records may affect our chance of winning future bids.

It is not uncommon in our industry to have numerous construction disputes and litigation. Our performance may be adversely affected by such construction disputes and litigation

It is not uncommon in our industry to have construction disputes and litigation. We may be in disputes with our customers, subcontractors, suppliers, workers and other parties in connection with our projects for various reasons. Such disputes may be in connection with late completion of works, delivery of substandard works, personal injuries or labour compensation in relation to the works. Please refer to the section headed "Business – Litigation and Potential Claims" in this prospectus for further information on litigation and potential claims we encountered during the Track Record Period.

The handling of contractual disputes, litigation and other legal proceedings may sometimes involve a high degree of our management's attention and input. Handling of legal proceedings and disputes can be both costly and time-consuming, and may significantly divert the efforts and resources of our management.

In addition, the outcomes of legal proceedings or disputes are influenced by, among others, negotiation skills, knowledge and judgment of our management. Our Group, to a large extent, relies on the relevant expertise and qualification of our management (including our executive Directors) in dealing with contractual disputes, litigation and arbitration. Should any claims against us fall outside the scope and/or limit of our insurance coverage or monies retained from subcontractors, our financial position may be adversely affected.

Our Group has records of certain non-compliance of Hong Kong regulatory requirements

There have been instances of non-compliance with certain Hong Kong regulatory requirements by our Group. These include, among others, non-compliance with the Inland Revenue Ordinance and the Employees' Compensation Ordinance, details of which are set out in the section headed "Business – Non-compliance" in this prospectus. According to our Legal Counsel, the maximum penalty for failure to submit Form 56E and Form 56F in accordance with section 52(4) and (5) of the Inland Revenue Ordinance could amount to HK\$1,650,000 and HK\$1,700,000, respectively. If the relevant Government authorities take enforcement actions against the relevant subsidiary of our Group and/or our Controlling Shareholders fail to indemnify us to a sufficient extent or at all, we may be required to pay penalty or incur other liabilities, and our reputation, financial condition and results of operations may be adversely affected.

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Our business plans and strategies may not be successful or achieved within the expected time frame or within the estimated budget

We intend to further enhance our machinery and our manpower in order to cope with the expected increase in demand for our services. However, our plans and strategies may be hindered by risks including but not limited to those mentioned elsewhere in this section. There is no assurance that we will be able to successfully maintain or increase our market share or grow our business successfully after deploying our management and financial resources. Any failure in maintaining our current market position or implementing our plans could materially and adversely affect our business, financial condition and results of operations.

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

Our business operations are mostly conducted outdoors and are affected by weather conditions. If inclement weather conditions persist or a natural disaster occurs, we may be prevented from performing works at our construction sites, and we thereby fail to meet specified time schedule. If we have to halt operations during inclement weather conditions or a natural disaster, we may continue to incur operating expenses even while we experience reduced revenues and profitability. Besides, our business is subject to outbreak of severe communicable diseases (such as swine flu, avian flu, severe respiratory syndrome, Ebola virus disease and Zika virus disease), natural disasters or other acts of God which are beyond our control. These incidents may also adversely affect the economy, infrastructure, livelihood and society in Hong Kong. Acts of wars and terrorism may also injure our employees, cause loss of lives, damage our facilities, disrupt our operations and destroy our works performed. If any such incident occurs, our revenue, costs, financial conditions and growth potentials will be adversely affected. It is also difficult to predict the potential effect of these incidents and their materiality to our business as well as those of our customers, suppliers and subcontractors.

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

For the three years ended 31 March 2016, C&H has declared dividends of nil, nil and HK\$20.0 million, respectively. In May 2016, C&H further distributed a dividend of HK\$19.0 million. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared and paid by our Company to the Shareholders in future after Listing. There is no assurance that our Group will declare dividends in amount similar to or exceeding historical dividends declared. The declaration, payment and amount of any future dividends are subject to the discretion of the Board depending on, among other things, our Group's earnings, financial condition and cash requirements and the provisions governing the declaration and distribution as contained in the Articles of Association, applicable laws and other relevant factors.

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RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

Our performance depends on market conditions and trends in the site formation works industry and any deterioration in the prevailing market conditions in the site formation works industry may adversely affect our performance and financial conditions

All our businesses and operations have been and will continue to be located in Hong Kong. The future growth and level of profitability of the site formation works industry in Hong Kong depend primarily upon the continued availability of site formation projects. The nature, extent and timing of such projects will, however, be determined by the interplay of a variety of factors. These factors include, in particular, the Government's policy and spending patterns on the site formation works industry in Hong Kong such as the on-going plan of the "Ten Major Infrastructure Projects", speed of approval of the relevant budgets and/or projects and the general conditions and prospects of the Hong Kong economy. According to the Euromonitor Report, the recent slowdown in the site formation industry for 2015 can be attributed to a combination of slower funding for infrastructure projects and the residential property market slump. Since May 2014, the commencement of infrastructure projects has been delayed due to slow progress in the funding approval of the Finance Committee and its Public Works Subcommittee. In the 2013/14 legislative session, there were 41 new capital works projects originally planned for funding application. Finance Committee had approved 13 projects, which was substantially less than the 39 new capital works projects approved in the 2012/13 legislative session. This has resulted in a reduction in the number of new projects in 2015 and subsequently a reduction in site formation works. Further, the slowdown in the property market which started in mid-2015 created an oversupply of private residential housing and developers have decreased the number of new construction projects being launched. These factors may affect the availability of site formation projects from the public sector or private sector. In addition, according to the Euromonitor Report, given that there appears to be a shift in the Government's focus from mega infrastructure projects to housing development for the short to medium term due to strong public calls for affordable housing, the number of site formation works from infrastructure projects is expected to decline in the short run. While housing projects will still require site formation works, the scale of these works is likely to be smaller than that required for large infrastructure projects. Please refer to the section headed "Industry Overview – Competitive Landscape – Threats to the site formation industry in Hong Kong" for further details relating to the threats to the site formation industry in Hong Kong. Other factors also affect the site formation works industry. These other factors include cyclical trends in the economy as a whole, fluctuations in interest rates and the availability of new projects in the private sector. If there is any recurrence of a recession in Hong Kong, deflation or any changes in Hong Kong's currency policy, or if the demand for site formation works in Hong Kong deteriorates, our operations and profitability could be adversely affected.

We operate in a relatively competitive environment

The site formation industry in Hong Kong has many participants and is competitive. As of May 2016, there were 391 contractors being registered under the Subcontractors Registration Scheme managed by Construction Industry Council as registered subcontractor for earthwork in Hong Kong. Some of the major market players may have significantly more resources and are better positioned than our Group, including but not limited to having a

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long operating history, better financing capabilities and well developed, technical expertise. New participants may wish to enter the industry provided that they have the appropriate skills, local experience, necessary machinery, capital and they are granted the requisite licences or approvals by the relevant regulatory bodies. Increased competition may result in lower operating margins and loss of market share, which may adversely affect our profitability and operating results.

Rising costs of construction workers may increase our costs

Construction works are generally labour-intensive in nature. However, according to the Euromonitor Report, the construction industry in Hong Kong is suffering from labour shortage, which is exacerbated by an ageing workforce and the lack of skilled talent. The average wage of construction workers in Hong Kong increased from an estimated HK\$61.5 per hour in 2011 to an estimated HK\$83.0 per hour in 2015, representing a CAGR of approximately 7.8%, mainly due to the growing construction industry in Hong Kong and the shortage of experienced and skillful labour as many skilled construction workers are approaching the age of retirement while young people are reluctant to join the construction industry. If labour costs in Hong Kong keep increasing, our costs may increase in the future, which could materially and adversely affect our business operations and financial conditions.

Shortage of labour may affect our projects and our performance

Generally, our construction works are labour intensive. For any given project, a large number of workers from various trades with different skills may be required. There is no assurance that the supply of labour will be sufficient during the forthcoming years when the peak load of construction activities is ongoing. All labour intensive projects are more susceptible to labour shortage, and our subcontracting costs including labour costs of our subcontractors may escalate. If there is a significant increase in the costs of labour and we have to retain our labour (likewise our subcontractors retain their labour) by increasing their wages, our staff cost and/or subcontracting cost will increase and thus lower our profitability. On the other hand, if we or our subcontractors fail to retain our existing labour and/or recruit sufficient labour in a timely manner to cope with our existing or future projects, we may not be able to timely complete our projects, resulting in liquidated damages and/or financial losses.

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RISKS RELATING TO HONG KONG

The state of economy in Hong Kong

Our performance and financial conditions depend on the state of economy in Hong Kong. Our revenue attributable to the Hong Kong market accounted for all of our Group's total revenue during the Track Record Period. If there is a downturn in the economy of Hong Kong, our results of operations and financial position may be adversely affected. In addition to economic factors, social unrest or civil movements such as occupation activities may also affect the state of economy in Hong Kong and in such case, our Group's operations and financial position may also be adversely affected.

The state of political environment in Hong Kong

Hong Kong is a special administrative region of the PRC. It enjoys a high degree of autonomy under the principle of "one country, two systems" in accordance with the Basic Law of Hong Kong. However, we are not in any position to guarantee the "one country, two systems" principle and the level of autonomy would be maintained as currently in place. Since our operations are located in Hong Kong, any change of Hong Kong's existing political environment may affect the stability of the economy in Hong Kong, thereby affecting our results of operations and financial positions. In 2014, thousands of residents of Hong Kong engaged in civil disobedience protests. Activists protested outside key government buildings and occupied several major intersections, causing major disruption to traffic and trade in the affected areas. Any political and social instability in Hong Kong, if significant and prolonged, could have a material adverse effect on our business, financial condition, results of operations and prospects.

RISKS RELATING TO THE SHARE OFFER AND OUR SHARES

Investors will experience immediate dilution

Because the Offer Price of our Shares is higher than the net tangible book value per Share immediately prior to the Share Offer, purchasers of our Shares in the Share Offer will experience an immediate dilution in the unaudited pro forma adjusted net tangible assets value to approximately HK\$0.17 per Share, based on the Offer Price of HK\$0.70 per Share.

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

Prior to the Listing, there is no public market for the Shares. The listing of, and the permission to deal with, the Shares on the Stock Exchange do not guarantee the development of an active public market or the sustainability thereof following completion of the Share Offer. Factors such as variations in our Group's turnovers, earnings and cash flows, strategic alliances or acquisitions made by our Group or its competitors, industrial or environmental accidents happened to our Group, loss of key personnel, litigation, fluctuations in the market prices for the products or the raw materials of our Group, the liquidity of the market for the Shares, the general market sentiment regarding the site formation industry could cause the market price and trading volume of the Shares to change

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substantially. In addition, both the market price and liquidity of the Shares could be adversely affected by factors beyond our Group's control and unrelated to the performance of our Group's business, especially if the financial market in Hong Kong experiences a significant price and volume fluctuation. In such cases, investors may not be able to sell their Shares at or above the Offer Price.

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

Our Group may issue additional Shares upon exercise of options to be granted under the Share Option Scheme in the future. The increase in the number of Shares outstanding after the issue would result in the reduction in the percentage ownership of the Shareholders and may result in a dilution in the earnings per Share and net asset value per Share. In addition, our Group may need to raise additional funds in the future to finance business expansion, new development and acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders, the shareholding of such Shareholders in our Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the Offer Shares.

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

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

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

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

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

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

RISKS RELATING TO THIS PROSPECTUS

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

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

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

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

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

Prior to the publication of this prospectus, there may be press or other media, which contains certain information referring to us and the Share Offer that is not set out in this prospectus. We wish to emphasise to potential investors that neither we nor any of the

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

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

UNDERWRITING

This prospectus is published solely in connection with the Public Offer which forms part of the Share Offer. Details of the terms of the Share Offer are described in the section "Structure and Conditions of the Share Offer" and in the related Application Forms.

The Listing is sponsored by the Sponsor and the Share Offer is managed by the Bookrunner. The Public Offer is fully underwritten by the Public Offer Underwriters and the Placing is fully underwritten by the Placing Underwriters.

RESTRICTIONS ON SALE OF 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, and without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any such circumstances such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

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

No action has been taken to register or qualify the Offer Shares or the Share Offer, or otherwise to permit a public offering of the Offer Shares, in any jurisdiction outside Hong Kong. The distribution of this prospectus and the related Application Forms in jurisdictions outside Hong Kong may be restricted by law and therefore persons into whose possession this prospectus or any of the related Application Forms comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the applicable securities laws.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Each person acquiring the Offer Shares will be required to confirm, or be deemed by his or her or its acquisition of the Offer Shares to have confirmed, that he or she or it is aware of the restrictions on offer of the Offer Shares described in this prospectus.

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

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the exercise of any option which may be granted under the Share Option Scheme).

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

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

HONG KONG BRANCH SHARE REGISTER AND THE STAMP DUTY

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

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential applicants for the Share Offer are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in the Shares or exercising their rights thereunder. It is emphasised that none of our Company, our Directors, the Selling Shareholder, the Sponsor, the Underwriter, their respective directors or any other person involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, holders of Shares resulting from the subscription for, holding, purchase, disposal of or dealing in the Offer Shares or the exercise of their rights thereunder.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF SHARES

We have instructed Tricor Investor Services Limited, our Hong Kong Branch Share Registrar, and it has agreed, not to register the subscription, purchase or transfer of any Shares in the name of any particular holder unless and until the holder delivers a signed form to our Hong Kong Branch Share Registrar in respect of those Shares bearing statements to the effect that the holder:

- agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the Companies Law and our Articles of Association;
- agrees with us and each of our Shareholders that the Shares are freely transferable by the holders thereof; and
- authorises us to enter into a contract on his or her behalf with each of our Directors, managers and officers whereby such Directors, managers and officers undertake to observe and comply with.

STABILISATION AND OVER-ALLOTMENT OPTION

In connection with the Share Offer, the Bookrunner, as the stabilising manager, or any person acting for it, may over-allot Shares or effect any other transactions with a view to stabilising and maintaining the market price of the Offer Shares at a level higher than that which might otherwise prevail for a limited period after the date of Listing. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising action.

In connection with the Share Offer, our Company has granted to the Placing Underwriters the Over-allotment Option, which is exercisable in full or in part by the Bookrunner (on behalf of the Placing Underwriters) up to (and including) the date which is the 30th day after the last day for lodging applications under the Public Offer. Pursuant to the Over-allotment Option, our Company may be required to issue at the Offer Price up to an aggregate of 27,750,000 Shares, representing 15% of the total number of Offer Shares initially available under the Share Offer, to cover over-allocations in the Placing, if any.

For further details on the stabilisation and the Over-allotment Option, please refer to the section headed “Structure and Conditions of the Share Offer – Stabilisation and over-allotment” in this prospectus.

ROUNDING

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

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Details of the structure of the Share Offer are set out in the section “Structure and Conditions of the Share Offer”.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

PROCEDURES FOR APPLICATION FOR PUBLIC OFFER SHARES

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

OFFER SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares and our Company’s compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or, under contingent situation, any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

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

All necessary arrangements have been made for the Shares to be admitted into CCASS. If investors are unsure about the details of CCASS settlement arrangement and how such arrangements will affect their rights and interests, they should seek the advice of their stockbroker or other professional adviser.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares are expected to commence on or about Monday, 17 October 2016. The Shares will be traded in board lots of 5,000 Shares each. The stock code of the Shares is 2113.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. If there is any inconsistency between the Chinese names of the Chinese entities mentioned in this prospectus and their English translation, the Chinese names shall prevail.

CURRENCY TRANSLATIONS

Unless otherwise specified, conversion of US\$ into HK\$ in this prospectus is based on the exchange rate set out below (for illustration purposes only):

US\$1.00: HK\$7.80

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

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential address	Nationality
Executive Directors		
Mr. Tang Man On (鄧民安先生)	No. 73, 2nd Street Section D Fairview Park Yuen Long New Territories Hong Kong	Chinese
Mr. Kwok Hoi Chiu (郭海釗先生)	Flat D, 37th Floor Tower 5, 8 Che Kung Miu Road The Riverpark Shatin New Territories Hong Kong	Chinese
Ms. Choi Chun Chi Sandy (蔡俊芝女士)	No. 73, 2nd Street Section D Fairview Park Yuen Long New Territories Hong Kong	Chinese
Independent Non-executive Directors		
Mr. Cheung Wai Lun Jacky (張偉倫先生)	Room 189, 5/F., Linfond Mansion 189 Hennessy Road Wanchai, Hong Kong	Chinese
Mr. Lee Chi Ming (李智明先生)	No. 19, 22/F Celestial Heights Phase 2 80 Sheung Shing Street Ho Man Tin Kowloon Hong Kong	British
Mr. Tang Chi Wai (鄧智偉先生)	Flat RA, 47/F Tower 5, R Wing (Water Lilies) Le Prestige, LOHAS Park Tseung Kwan O New Territories Hong Kong	Chinese

For details of our Directors and members of senior management, please refer to the section headed “Directors and Senior Management” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sponsor	Dakin Capital Limited Room 2701 Admiralty Centre, Tower 1 18 Harcourt Road Admiralty Hong Kong <i>(A licensed corporation carrying on type 6 (advising on corporate finance) regulated activity under the SFO)</i>
Bookrunner	China Prospect Securities Limited Units 1113A & 1115 11/F, COSCO Tower 183 Queen's Road Central Sheung Wan Hong Kong <i>(A licensed corporation carrying on type 1 (dealing in securities) regulated activity under the SFO)</i>
Joint Lead Managers and Underwriters	China Prospect Securities Limited Units 1113A & 1115 11/F, COSCO Tower 183 Queen's Road Central Sheung Wan Hong Kong <i>(A licensed corporation carrying on type 1 (dealing in securities) regulated activity under the SFO)</i> Dakin Securities Limited Room 2701 Admiralty Centre, Tower 1 18 Harcourt Road Admiralty Hong Kong <i>(A licensed corporation carrying on type 1 (dealing in securities) and type 2 (dealing in future contracts) regulated activities under the SFO)</i>
Legal adviser to our Company	<i>As to Hong Kong law</i> D. S. Cheung & Co. 29/F., Bank of East Asia Harbour View Centre 56 Gloucester Road Wanchai, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

	<p><i>As to Cayman Islands law</i> Conyers Dill & Pearman Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands</p>
<p>Legal adviser to the Sponsor, the Bookrunner, the Joint Lead Managers and the Underwriters</p>	<p><i>As to Hong Kong law</i> TC & Co. Units 2201-2203, 22nd Floor Tai Tung Building 8 Fleming Road Wanchai Hong Kong</p>
<p>Reporting accountants</p>	<p>SHINEWING (HK) CPA Limited 43rd Floor, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong</p>
<p>Receiving bank</p>	<p>Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong</p>
<p>Selling Shareholder</p>	<p>Waterfront Palm Limited P.O. Box 957 Offshore Incorporations Centre Road Town, Tortola British Virgin Islands</p>

CORPORATE INFORMATION

Registered office in the Cayman Islands	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and principal place of business in Hong Kong	Office No. 917 Shatin Galleria 18-24 Shan Mei Street Fo Tan New Territories Hong Kong
Company Secretary	Ms. Lee Ka Man (<i>ACS, ACIS</i>) Flat J, 6/F Tung Hoi Building 64-66 Pak Tai Street Ma Tau Kok Kowloon Hong Kong
Compliance adviser	Dakin Capital Limited Room 2701 Admiralty Centre, Tower 1 18 Harcourt Road Admiralty Hong Kong <i>(A licensed corporation carrying on type 6 (advising on corporate finance) regulated activity under the SFO)</i>
Authorised Representatives	Mr. Tang Man On No. 73, 2nd Street Section D Fairview Park Yuen Long New Territories Hong Kong Mr. Kwok Hoi Chiu Flat D, 37th Floor Tower 5, 8 Che Kung Miu Road The Riverpark Shatin New Territories Hong Kong
Members of Audit Committee	Mr. Tang Chi Wai (<i>Chairperson</i>) Mr. Cheung Wai Lun Jacky Mr. Lee Chi Ming

CORPORATE INFORMATION

Members of Remuneration Committee	Mr. Cheung Wai Lun Jacky (<i>Chairperson</i>) Mr. Lee Chi Ming Mr. Tang Chi Wai
Members of Nomination Committee	Mr. Lee Chi Ming (<i>Chairperson</i>) Mr. Cheung Wai Lun Jacky Mr. Tang Chi Wai
Cayman Islands Principal Share Registrar and Transfer Office	Codan Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Level 22 Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	Shanghai Commercial Bank Ltd. 35/F., Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
Company's Website	www.cherishholdings.com <i>(information on this website does not form part of this prospectus)</i>

INDUSTRY OVERVIEW

This and other sections of this prospectus contain information relating to the industry in which we operate. Certain information and statistics contained in this section have been derived from various official and publicly available sources. In addition, certain information and statistics set forth in this section have been extracted from a market research report commissioned by us and prepared by Euromonitor, an independent market research agency. The market research report prepared by Euromonitor is intended to reflect estimates of market conditions based on publicly available sources and trade opinion surveys. The market research report has been prepared primarily as a market research tool. References to Euromonitor should not be considered as the opinion of Euromonitor as to the value of any security or the advisability of investing in the Group. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information or statistics is false or misleading in any material respect or that any fact has been omitted that would render such information or statistics false or misleading in any material respect. However, such information and statistics have not been independently verified by us, the Selling Shareholder, the Sponsor, the Bookrunner, the Joint Lead Managers, any of the Underwriters, our or their respective directors and officers or any other parties involved in the Share Offer. No representation is given as to the accuracy.

SOURCES OF INFORMATION

We have commissioned Euromonitor, an independent market research company to conduct analysis of, and to prepare the Euromonitor Report on, the construction industry, in particular site formation works, in Hong Kong. A total fee of US\$53,200 (approximately HK\$414,960) was paid to Euromonitor for the preparation of the Euromonitor Report, and such fee was not conditional on our Group's successful listing or on the result of the Euromonitor Report. The Euromonitor Report, including the information and analysis contained therein, has been prepared by Euromonitor independent of our Group's influence. Information disclosed in this document which is attributable to Euromonitor has been extracted from the Euromonitor Report, which was published with consent of Euromonitor.

Euromonitor has conducted research and data gathering based on (i) primary research, which involved conducting interviews with a sample of leading industry participants and experts for the latest data and insights on future trends to verify and cross check the consistency of data and research estimates; and (ii) secondary research, which involved reviewing published sources including the Census and Statistics Department, leading trade associations such as the Construction Industry Council, company reports including audited financial statements where available and independent research reports. The information collected will be reviewed and cross-checked against all sources for consistency and accuracy and an independent analysis will be conducted to build all final estimates of the market in the preparation of the Euromonitor Report.

Euromonitor is specialised in conducting research in consumer and industrial market. It has global operations across 80 countries and is experienced in providing industry research for companies seeking listing in Hong Kong.

ASSUMPTIONS AND PARAMETERS USED IN THE EUROMONITOR REPORT

In relation to the forecasted or estimated information presented in Euromonitor Report, Euromonitor assumed (i) the Hong Kong economy to maintain steady growth over the forecast period; (ii) the Hong Kong social, economic and political environments to remain stable during the forecast period, (iii) key market drivers such as the continuing

INDUSTRY OVERVIEW

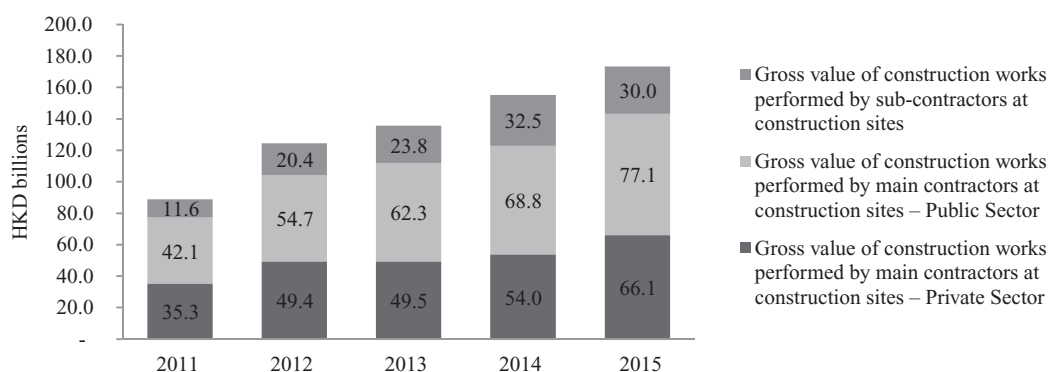
development of public infrastructural projects, as well as demand for private residential and commercial properties from mainland China are expected to boost the development of the Hong Kong construction and site formation works market; and (iv) key drivers including the government's Long-Term Housing Strategy and interest in cavern development are likely to drive the future growth of Hong Kong's construction and site formation works market.

RELIABILITY OF INFORMATION IN THE EUROMONITOR REPORT

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

OVERVIEW OF CONSTRUCTION INDUSTRY IN HONG KONG

The gross value of construction works performed by main contractors and subcontractors in Hong Kong from 2011 to 2015



Source: The 'Quarterly Survey of Construction Output' report by the Census and Statistics Department of Hong Kong

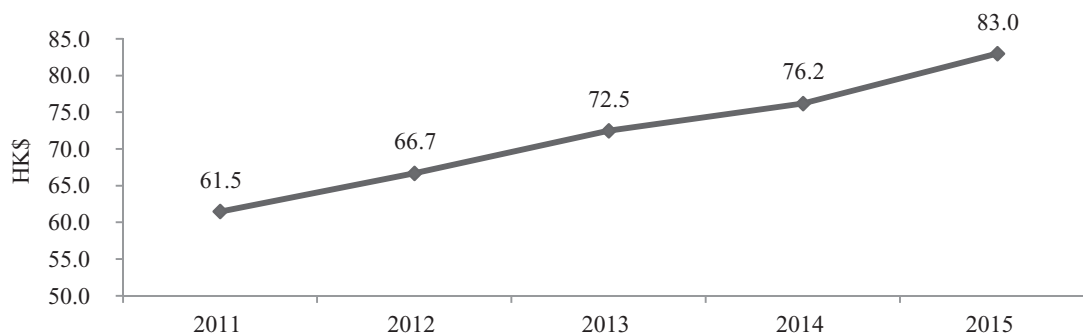
The gross value of construction works performed by main contractors at construction sites grew by a CAGR of 16.6% between 2011 and 2015 to reach HK\$143.2 billion in 2015, driven by a combination of public infrastructure works and private sector property development. The gross value of construction works performed by sub-contractors also expanded rapidly at a CAGR of 26.9% over the same period, as main contractors are increasingly subcontracting out more work.

Subcontracted construction work typically constitutes the earlier stages of a construction project, such as site formation & clearance, piling & related foundation works and parts of civil engineering construction. A slump in the property market has seen a decline in the number of new construction projects being launched, which in turn has reduced the amount of subcontracted work available. This has seen the gross value of subcontracted work decline by 7.4% in 2015.

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Price trend of construction workers' wages in Hong Kong

Price trend of construction workers' hourly wage in Hong Kong from 2011 to 2015



Source: The Census and Statistics Department of Hong Kong

Labour costs have increased significantly due to the shortage of skilled construction workers during the historical period, with the median hourly wage for the construction industry increase by CAGR of 7.8% between 2011 and 2015.

FUTURE OUTLOOK OF THE CONSTRUCTION INDUSTRY IN HONG KONG

Key drivers of public sector construction works

The Government's strong focus on infrastructure development continues to be a key growth driver for the construction industry, underpinned by the Ten Major Infrastructure Works roadmap, which identified a series of high value infrastructure projects to promote economic development and increase employment in Hong Kong.

Key among these were several major infrastructure projects meant to strengthen Hong Kong's connectivity with mainland China, such as the Hong Kong-Zhuhai-Macao Bridge to enhance Hong Kong's connections to western Guangdong Province; and the 26 kilometres Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link which will reduce travel time to Guangzhou from the current 100 minutes to 48 minutes, and connect Hong Kong to the national high-speed rail grid.

Future infrastructure works will also contribute to public sector construction expenditure, as there is a strong pipeline of infrastructure projects. In addition to some of the Ten Major Infrastructure Projects which will boost construction works during the forecast period, the Government has formulated a long-term development plan to provide fresh impetus for public sector construction expenditure beyond the forecast period. Under the Hong Kong 2030: Planning Vision and Strategy, a spatial planning framework for the future development of Hong Kong which was launched in 2015, the Government will set out plans for new development areas such as the Northeast New Territories and Northwest New Territories, enhancement of port and airport infrastructure and the strengthening of regional transport links. Other projects in the pipeline include seven railway projects worth an

INDUSTRY OVERVIEW

estimated total cost of HK\$110 billion by 2026. The new railway lines and extensions are intended to better serve existing communities and to provide transport links to new developments.

Increase in public land supply boost future private residential construction projects

The Government has taken a multipronged approach which includes government land sales, railway property development projects, Urban Renewal Authority projects, and private redevelopment or development projects. Under the Land Sale Programme, the Government made more land available for sale during the review period.

In the short and medium terms, the Government will continue to aim for its targets with regard to private housing supplies. According to the Government's Long-term Housing Strategy Annual Progress Report released in December 2015, the total housing supply target for the 10-year period from 2016/17 to 2025/26 will be 460,000 flats, of which 40% (i.e. 184,000 flats) will be private housing. Under the 2016/17 Land Sale Programme announced in February 2016, the government made available 29 residential sites that could supply 19,200 flats. The flat production capacity of the 2016/17 Land Sale Programme represents a record high since 2010, and demonstrates the government's commitment to increase housing land supply.

In collaboration with the MTR Corporation Ltd, the Government has been actively exploring the development potential of stations and related sites along existing and future rail lines with a view to increasing land supplies. Looking ahead in 2016 to 2017, railway property development projects will continue to be one of the sources of private housing land supplies. Package 1 of the West Rail property development project at Kam Sheung Road Station and three projects owned by the MTR Corporation Ltd at LOHAS Park, Ho Man Tin Station and Wong Chuk Hang Station are estimated to provide a total of some 4,840 flats.

OVERVIEW OF THE SITE FORMATION WORKS INDUSTRY IN HONG KONG

Site formation works is one of the key activities for the construction industry. It is an integral component of most construction projects, especially infrastructure and buildings projects, where there is a need to prepare the sites before actual construction starts. Based on the Hong Kong Standard Industrial Classification (HSIC) Version 2.0, site formation and clearance works are covered under Industry Code 4312, 'site preparation'. The scope of site formation works typically covers the following:

- i. Clearance of the site including the removal of buildings or unwanted structures, shrubs and trees, surface soil and debris.
- ii. Excavation by cutting into slopes or other land areas to get the required/extra land (including tunnel excavation and construction of associated temporary tunnel support structures as well), disposal of construction and demolition materials.
- iii. Levelling of the land by necessary cutting or filling to acquire a piece of flat or terraced land.

INDUSTRY OVERVIEW

- iv. Stabilisation of natural or new slopes within a site.
- v. Construction of retaining walls (as part of the slope stabilisation or trimming of terraced land).
- vi. Forming access roads and drainage systems such as associated footpaths, planting areas, sewers, water mains and utility diversions, etc.

Due to the nature of site formation works as a precursor to actual construction works, the site formation industry has generally followed the ups and downs of the construction industry in Hong Kong. In particular, it benefitted from a boom in public infrastructure works during the historical period, as the majority of the Government's Ten Major Infrastructure Projects went into construction during this period.

The site formation construction industry is fragmented with a large number of subcontractors and a small number of main contractors. As of May 2016, there were 179 registered companies with specialist contractors for site formation works, and 391 registered subcontractors for earthwork under the Construction Industry Council subcontractors registration scheme. As a result, the industry is fragmented and highly competitive with many subcontractors competing primarily on price and competency to stand out from their competitors.

Landscape of rock-blasting and breaking methods in site formation works

In site formation projects that include excavation of rock, which is common in tunnelling projects, it requires more technically challenging methods such as mechanical drilling and breaking of rocks (also known as drill and break), or blasting of rocks with explosives (drill and blast). Specialized equipment used in rock excavation methods include hydraulic breakers and hammers, drilling machines, tunnel boring machines and explosives, which can require higher capital outlays or rental costs compared to soil excavation. Also, due to the technical challenges and dangerous nature of rock excavation, such projects are required to be supervised by geologists, and in the case of projects using blasting methods, additional blasting engineers and shotfirers.

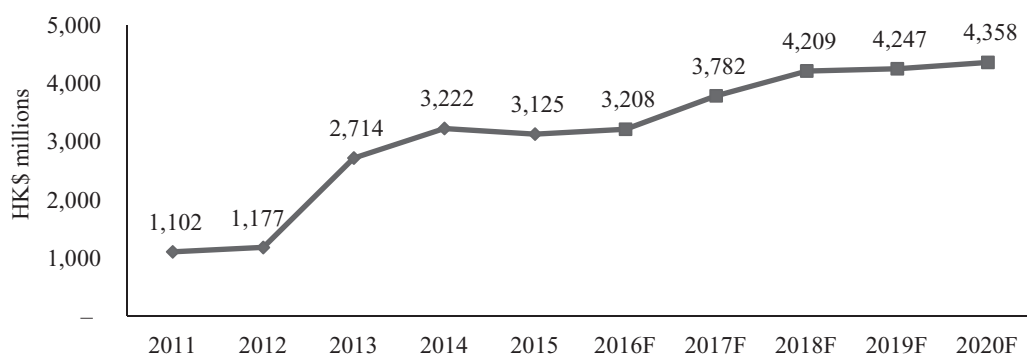
In Hong Kong, blasting is regulated by the Mines Division under the Civil Engineering and Development Department. The division is responsible for the enforcement of legislation and safety regulations relating to mining, quarrying and explosives, as well as the issuance of a Mine Blasting Certificate, Removal Permit for Explosives, Mode A Explosives Store Licence, Mode B Explosives Store Licence and Blasting Permits. Contractors who wish to carry out blasting works are required to obtain a Blasting Permit, and the person detonating the blast has to be a registered shotfirer with a valid Mine Blasting Certificate.

As of May 2016, there are approximately 115 registered shotfirers with valid Mine Blasting Certificates, which limits the number of companies able to engage in projects with blasting works in Hong Kong. Thus, usually larger main contractors who have access to expensive machinery and expertise for more sophisticated works would be able to compete in projects with heavy rock excavation.

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Furthermore, projects that require rock excavation using rock breaking and blasting methods are typically large, high-value projects, such as tunneling works that may span a few years and require multiple contracts to complete the whole project. Hence main contractors who have multiple large projects in their portfolio at any one time, may not have enough resources to complete the project by themselves due to unqualified manpower (from limited registered blasting workers and blasting certificates) and budget constraints, thus will subcontract out part of their won projects to subcontractors who have the rock breaking and blasting capabilities to complete the task. Trade players have estimated 30% of all site formation works with rock breaking and blasting works are subcontracted, and may see a further increase as a market trend. Based on the above norms of the industry, it is reasonable to believe that the demand for subcontractors with capabilities to carry out rock breaking and blasting methods are high.

Gross value of site formation and clearance works performed by main contractors at construction sites in Hong Kong from 2011 to 2020



Source: (2011 – 2015) The ‘Quarterly Survey of Construction Output’ report by the Census and Statistics Department of Hong Kong, (2016F-2020F) Euromonitor estimates from desk research and trade interviews with leading construction companies, leading site formation & clearance works service providers and the relevant trade associations in Hong Kong

The gross value of site formation and clearance works performed by main contractors grew at a CAGR of 29.8% between 2011 and 2015 to reach HK\$3.1 billion by 2015, outperforming the overall construction industry and expected to grow at a CAGR of 8.0% between 2016 and 2020.

The historical growth was mostly due to a surge in public infrastructure projects over the review period, as well as a continuous stream of residential property projects arising from strong demand for residential properties. In particular, Hong Kong is seen as a desirable location for property investment for mainland Chinese investors.

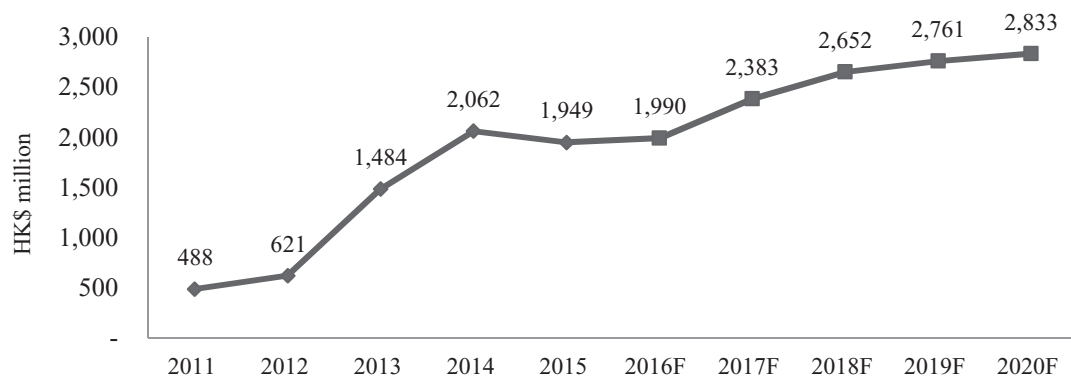
The slowdown in site formation for 2015 can be attributed to a combination of slower funding for infrastructure projects and the residential property market slump. Since May 2014, the commencement of infrastructure projects has been delayed due to slow progress in the funding approval of the Finance Committee and its Public Works Subcommittee. In the 2013/14 legislative session, there were 41 new capital works projects originally planned for funding application. Finance Committee had approved 13 projects, which was substantially less than the 39 new capital works projects approved in the 2012/13 legislative session. This

INDUSTRY OVERVIEW

has resulted in a reduction in the number of new projects in 2015 and subsequently a reduction in site formation works. Further, the slowdown in the property market which started in mid-2015 created an oversupply of private residential housing and developers have decreased the number of new construction projects being launched.

Future outlook of the site formation works industry in Hong Kong

Industry revenue receipts accrued by site formation and clearance works subcontractors in Hong Kong from 2011 to 2020



Source: Euromonitor estimates from desk research and trade interviews with leading construction companies, leading site formation and clearance works service providers and the relevant trade associations in Hong Kong

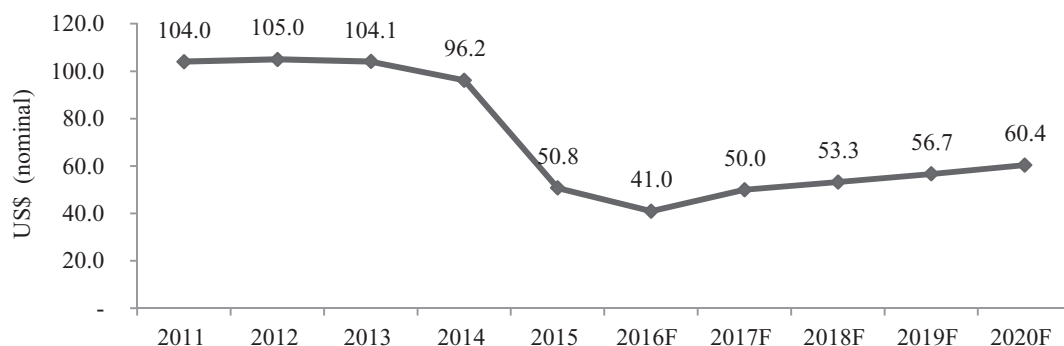
Industry revenue receipts accrued by subcontractors for site formation and clearance works indicated a similar trend with gross value of site formation and clearance works performed by main contractors, growing tremendously by 139.1% in 2013, followed by a moderate growth of 39.0% in 2014. In 2015, site formation revenue receipts accrued by subcontractors declined by 5.5% to HK\$2.0 billion.

The outlook for the site formation industry is expected to be subdued during the forecast period. Industry revenue receipts accrued by site formation and clearance works subcontractors in Hong Kong are expected to grow by a CAGR of 9.2%, significantly lower than historical growth. This is expected to trend in tandem with the mid-term construction expenditure forecast data by the Construction Industry Council (specifically in terms of civil and building works). Growth is expected to be moderate in 2016 and picks up in 2017 as some mega public infrastructure projects are planned to begin such as the Tseung Kwan O-Lam Tin Tunnel project and Central Kowloon Route. From 2018 to 2020, a relatively stable trend is expected due to the completion of certain large-scale public infrastructure projects then.

INDUSTRY OVERVIEW

Price of key materials for site formation contractors

Price trend of Crude Oil and Price Forecast from 2011 to 2020



Source: The World Bank: Commodities Price Forecast (Released April 2016)

Diesel fuel is a significant component of overall costs for certain site formation contractors operating machines, and that diesel is a downstream product of crude oil, global price movements in the raw material has been indicative of the price trend for diesel in the historical period, and should continue to do so in the future.

The price of diesel fuel registered an overall decline during the historical period, due to a decline in crude oil prices by 47.2% in 2015. This is in line with the significant global oil price drop in 2015, a result of faltering economic growth in resource-hungry countries like China and oversupply by oil-production countries.

Despite the decrease in price of diesel fuel over the Track Record Period, such decrease had minimal impact on our Group's gross profit margin as the diesel fuel costs incurred by our Group only amounted to approximately HK\$4.7 million, HK\$6.8 million and HK\$6.1 million respectively. This in turn accounted for approximately 6.8%, 6.5% and 3.6% of our Group's total cost of sales respectively during the Track Record Period.

In the Commodity Price Forecast released by the World Bank in April 2016, the price forecast of crude oil is expected to rebound in 2017 and rise modestly by a CAGR of 10.2% from 2016 to 2020.

INDUSTRY OVERVIEW

COMPETITIVE LANDSCAPE

The top five players in the industry in terms of revenue receipts generated from provision of site formation work in Hong Kong are all main contractors, due to their ability to undertake a large number of projects and large contracts for public infrastructure projects. It is estimated that the top five players accounted for around 26.4% of the main contractor's site formation market share in 2015.

Market shares of top five contractors in terms of revenue receipts generated from site formation works performed in Hong Kong in 2015

Ranking	Company	Market Share*	Listed or Private Company	Business Coverage
1	Company A	7.3%	Listed	Building construction, international contracting, real estate development and investment, infrastructure construction and investment, prospecting and design
2	Company B	6.6%	Listed	Design, development, management, construction and maintenance of building and civil infrastructure projects, including site preparation and land reclamation, railway systems, bridges, tunnels, power stations, data centers, airports, pipelines, roads, environmental infrastructure and management, remote infrastructure, marine projects, as well as contract mining solutions and operations
3	Company C	5.6%	Private	Design, management and construction services in building, civil engineering, foundations, electrical and mechanical, infrastructure maintenance and operation, and interiors refurbishments fit out, engineering consultancy, in-house steel fabrication and concrete production
4	Company D	4.1%	Listed	Erection of architectural superstructures, civil engineering construction, general building construction, site investigation, demolition work, site formation & clearance, foundation works, structural alteration & addition works, interior fitting out/contracting service, electrical and mechanical works, fit-out and landscaping works
5	Company E	2.8%	Listed	Building construction, civil engineering, foundation and trackwork, trenchless construction, construction services, maintenance and minor works projects, waterworks, building maintenance, electrical & mechanical works, fit out, overseas construction services, property development and property management

Sources: Euromonitor estimates from desk research and trade interviews with leading construction companies, leading site formation works service providers and the relevant trade associations in Hong Kong

* Total industry based on gross value of construction works performed by main contractors at construction sites

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Note: Audited data if available is usually not industry/service-specific and includes other products/ services. Leading industry players' rankings will therefore be estimated on publicly available data and trade opinion surveys (not just the companies themselves). Market shares will also therefore be estimated on publicly available data and trade opinion surveys (not just the companies themselves).

Entry barriers to the site formation industry in Hong Kong

Barriers of entry to the site formation industry depend on the complexity of works involved and capital requirements. Earth and soil related site formation works is relatively straightforward, while rocks related site formation works is more technically challenging.

For earth excavating site formation works, contractors who own the right machinery (e.g. excavators and dump trucks) can work as a subcontractor, of which the equipment required is not expensive. Hence, barriers of entry are low. Conversely, rock excavation site formation works have higher barriers of entry, as such works require specialist technical knowledge and equipment (such as tunnel boring machines or explosive blasting methods to excavate tunnels), which can require high capital outlays. Hence, the playing field for hard site formation works is significantly smaller, with only a dozen of players present.

As rock breaking and blasting methods are commonly used in tunnelling projects, based on the number of sizeable tunnelling projects awarded by contractors since 2010, some of the major main contractors who have the capabilities to carry out projects requiring rock-breaking and blasting are Leighton Contractors (Asia) Limited, China State Construction Engineering (HK) Limited, Chun Wo Construction and Engineering Company Limited, Dragages Hong Kong Limited and Gammon Construction Limited.

Other factors influencing competition

Other key competitive factors for winning site formation contracts include manpower, a good track record and a good reputation. Certain site formation works require specialist skills, for example, shotfirers with valid Mine Blasting Certificates to carry out blasting works, engineers with knowledge of drainage design and slope protection, technicians to operate tunnel-boring machinery for tunnel excavation works etc. The current shortage of skilled labour in the construction industry makes it even more challenging for subcontractors to hire and retain skilled workers.

Also, main contractors usually prefer to work with subcontractors whom they have long standing relationships with, as they would be familiar with the price, quality and capabilities of the subcontractors through past working experiences. It is unlikely for a main contractor to drop a subcontractor, unless there were major problems in the past working relationships or quality of work. As subcontractors compete for contracts primarily on price and competency, with a proven track record on its capabilities, a subcontractor should not have major problems competing with other subcontractors for customers.

INDUSTRY OVERVIEW

Growth drivers and opportunities to the site formation industry in Hong Kong

Government's interest in cavern development

A major long-term growth opportunity for the site formation industry will come from the Government's interest in cavern development. The Government has started actively exploring the use of rock caverns as one of the innovative measures to expand Hong Kong's land resources, in order to produce more land to support Hong Kong's social and economic development. Examples of rock cavern developments in Hong Kong include MTR stations (such as Sai Ying Pun Station, University Station and Lei Tung Station), Island West Transfer Station, Kau Shat Wan Government Explosives Depot, Western Salt Water Service Reservoirs. In September 2012, the Civil Engineering and Development Department commenced a new study on the 'Long-term Strategy for Cavern Development' to formulate a long-term strategy for cavern development. The study will prepare Cavern Master Plans to reserve strategic areas for cavern development and formulate a systematic relocation programme for suitable government facilities. In its 2016 Policy Address, the government announced that it was about to complete the territory-wide Cavern Master Plan. Feasibility studies on the relocation of three sewage treatment works and service reservoirs to caverns are expected to be completed by early 2017. On the Hong Kong Government's official cavern development website, it is estimated that about two-thirds of the land area of Hong Kong is suitable for rock cavern development. This could provide some 3,500 hectare of developable land, on the conservative assumption that 5% of this area could be made available for rock cavern development. There are tremendous opportunities for the site formation industry, especially in terms of rocks-related site formation works.

Government's policy on long-term planning for infrastructure projects

The Government has noted that it adopts long-term planning for infrastructure projects and will continue to invest in worthwhile infrastructure projects, including housing sites in Yuen Long South, developing New Territories North, Lantau-Tung Chung New Town Extension and Tseung Kwan O-Lam Tin Tunnel project and Central Kowloon Route. The Government invited tenders for the contract for the Tseung Kwan O-Lam Tin Tunnel main tunnel and associated works in August 2015, with construction works being scheduled to commence in phases from July 2016 for completion in 2021. The construction of Central Kowloon Route, a highway between West Kowloon and Kowloon Bay, was gazetted by the Government in January 2016, with work scheduled to start between July and September 2016.

Threats to the site formation industry in Hong Kong

Manpower shortage and project delays

A chronic shortage of skilled workers with specialised skills in the construction industry, and delays in construction project schedules, are the major obstacles which the industry currently faces. The manpower shortage arose from a combination of factors of an ageing population, and the reluctance of the younger generation to work as construction workers.

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The shortage of manpower is generally more acute for skilled workers and is relevant to the site formation industry, because certain specialist skills are required in the course of site clearance, such as knowledge of working with different kinds of ground conditions, soil treatment capability and techniques to stabilise slopes.

Another constraint for industry players is the tight project deadlines, and in some cases, unreliable estimate of project costs and completion time. This means contractors are often blamed for project delays and costs overrun, though the underlying causes are often unforeseen circumstances.

Shift in the Government's focus from mega infrastructure projects to housing development

In the short term, the number of site formation works from infrastructure projects is expected to decline, given that there appears to be a shift in the government's focus from mega infrastructure projects to housing development for the short to medium term, due to strong public calls for affordable housing. While housing projects will still require site formation works, the scale of these works is likely to be smaller than that required for large infrastructure projects.

Funding delays for infrastructure projects

The industry will slow down in the short term, mainly due to slower funding approvals for infrastructure projects and a lack of large projects in the pipeline since it may take a few years for the Government's long term development plan to materialise into tangible projects. Furthermore, uncertain outlook for the residential and commercial property markets, which developed since the second half of 2015, also looks set to dent the numbers of new construction projects in the private sector in the short term.

Recent property market downturn

The slump in the residential property market is one of the factors that contributed to a slowdown in the launch of new construction projects in 2015. Hong Kong's property market has been showing signs of weakening amid oversupply of new homes, higher short-term interest rates and slowing growth in China. Home prices have slumped almost 10% between September 2015 and January 2016, and monthly sales in January 2016 fell to the lowest since 1991. As the housing market becomes more subdued, developers may have slowed down new construction projects, resulting in fewer site formation contracts.

Competitive advantages

Based on the Group's audited revenue receipts, the Group which was founded in 2001 holds an estimated 7.2% share of the subcontractor market size in 2015. In particular, it has established stable relationships with main contractors by regularly supporting main contractors in the tender bidding process. Main contractors are able to leverage on the Group's strong capabilities in specialised site formation works to strengthen their tender proposition. This relationship allows the Group to enjoy a steady stream of site formation projects, particularly in large public infrastructure and residential projects.

INDUSTRY OVERVIEW

The Group differentiates itself from other subcontractors through its competitive advantages arising from its specialisation in blasting and rock breaking (using the blasting method or mechanical methods). A limited number of contractors are able to carry out blasting works, due to the high risk nature of the works in Hong Kong's urban environment. One of the techniques the Group uses for rock breaking is the drill and blast method, which is a highly specialised area in the site formation industry. There is only a dozen of players who are equipped with the financial resources and manpower expertise to carry out such works and the Group is one of them. The Group has also invested in machinery which enables it to carry out rock blasting works. This enables the Group to bid for more challenging and larger value projects. In the long term, the Group is well positioned to benefit from the Government's plans for rock cavern development through its capabilities in rock blasting.

Please refer to the section headed "Business – Competitive Strengths" in this prospectus for further details.

LAWS AND REGULATIONS

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

A. LABOUR, HEALTH AND SAFETY

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

The Factories and Industrial Undertakings Ordinance provides for the safety and health protection to workers in an industrial undertaking. Under the Factories and Industrial Undertakings Ordinance, every proprietor shall, as far as is reasonably practicable take care of the safety and health at work of all persons employed by him at the industrial undertaking by:

- providing and maintaining plant and work systems that are safe and without risks to health;
- making arrangements 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;
- providing and maintaining safe access to and egress from the workplaces; and
- providing and maintaining a work environment that is safe and without risks to health.

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 6 months.

Section 6BA(5) of the Factories and Industrial Undertakings Ordinance also provides that on and after the appointed day (as defined in the Factories and Industrial Undertakings Ordinance) every proprietor shall not employ at the undertaking a relevant person who has not been issued a relevant safety training certificate or whose relevant certificate has expired. A proprietor who contravenes this section commits an offence and is liable to a fine of HK\$50,000 (level 5).

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

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

LAWS AND REGULATIONS

Employers must, as far as reasonably practicable, ensure the safety and health of their employees at work by attending to the following:

- providing and maintaining plant and work systems that are safe and without risks to health;
- making arrangement for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;
- providing all necessary information, instruction, training, and supervision for ensuring safety and health;
- maintaining the workspace in a condition that is safe and without risks to health;
- providing and maintaining safe access to and egress from the workplaces; and
- providing and maintaining a working environment that is safe and without risks to health.

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 6 months.

The Commissioner for Labour may also issue improvement notices against non-compliance of the Occupational Safety and Health Ordinance or the Factories and Industrial Undertakings Ordinance, or suspension notices against activity of workplace which may create imminent hazard to the employees. Failure to comply with such notices constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000 respectively and imprisonment of up to 12 months.

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

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

Under the Employees' Compensation Ordinance, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to pay compensation even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, an

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employee who suffers incapacity or dies arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

According to section 15 of the Employees' Compensation Ordinance, an employer must notify the Commissioner for Labour of any work accident by submitting Form 2 (within 14 days for general work accidents and within 7 days for fatal accidents), irrespective of whether the accident gives rise to any liability to pay compensation. If the happening of such accident was not brought to the notice of the employer or did not otherwise come to his knowledge within such periods of 7 and 14 days respectively then such notice shall be given not later than 7 days or, as may be appropriate, 14 days after the happening of the accident was first brought to the notice of the employer or otherwise came to his knowledge.

Pursuant to section 24 of the Employees' Compensation Ordinance, a principal contractor shall be liable to pay compensation to subcontractors' employees who are injured in the course of their employment to the subcontractor. The principal contractor is, nonetheless, entitled to be indemnified by any person who would have been liable to pay compensation to the injured employee.

According to section 40 of the Employees' Compensation Ordinance, all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities for injuries at work in respect of all their employees (including full-time and part-time employees). Where a principal contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK\$200 million per event to cover his liability and that of his subcontractor(s) under the Employees' Compensation Ordinance and at common law. An employer who fails to comply with the Employees' Compensation Ordinance to secure an insurance cover is liable on conviction to a fine at level 6 (currently at HK\$100,000) and imprisonment for 2 years.

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

A principal contractor is subject to the provisions on subcontractor's employees' wages in the Employment Ordinance. Section 43C of the Employment Ordinance provides that if any wages become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance, such wages shall be payable by the principal contractor and/or every superior subcontractor jointly and severally. A principal contractor's liability shall be limited (a) to the wages of an employee whose employment relates wholly to the work which the principal contractor has contracted to perform and whose place of employment is wholly on the site of the building work; and (b) to the wages due to such an employee for 2 months without any deductions (such months shall be the first 2 months of the period in respect of which the wages are due).

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An employee who has outstanding wage payments from a subcontractor must serve a notice in writing on the principal contractor within 60 days after the wage due date or another 90 days if permissible. A principal contractor and superior subcontractor (where applicable) shall not be liable to pay any wages to the employee of the subcontractor if that employee fails to serve a notice on the principal contractor.

Upon receipt of such notice from the relevant employee, a principal contractor shall, within 14 days after receipt of the notice, serve a copy of the notice on every superior subcontractor to that subcontractor (where applicable) of whom he is aware.

A principal contractor who without reasonable excuse fails to serve notice on the superior subcontractors shall be guilty of an offence and shall be liable on conviction to a fine at level 5 (currently at HK\$50,000).

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

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

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

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

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

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

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

LAWS AND REGULATIONS

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

The Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate (currently set at HK\$32.5 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance.

Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by the Minimum Wage Ordinance is void.

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

The Construction Workers Registration Ordinance (“CWRO”) was enacted on 2 July 2004 to provide, among others, for registration and regulation of construction workers. The principal object of the CWRO is to establish a system for registration of construction workers and to regulate construction workers who personally carry out construction work on construction sites.

Employment of registered construction workers

Under sections 3(1) and 5 of the CWRO, the principal contractors/subcontractors/employers/controllers of construction sites are required to employ only registered construction workers to personally carry out construction work on construction sites.

Keeping and submission of site daily attendance report

Under the CWRO, a principal contractor/controller of a construction site is required to:

1. establish and maintain a daily record in the specified form that contains information on registered construction workers employed by him and, in the case of a controller being the principal contractor, by a subcontractor of the controller (section 58(7)(a) of the CWRO); and
2. furnish the Registrar of Construction Workers in such manner as directed by the Registrar of Construction Workers with a copy of the record:
 - i. for the period of 7 days after any construction work begins on the site; and
 - ii. for each successive period of 7 days, within 2 business days following the last day of the period concerned (section 58(7)(b) of the CWRO).

LAWS AND REGULATIONS

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

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

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

Industry scheme

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

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

- (1) foundation and associated works;
- (2) civil engineering and associated works;
- (3) demolition and structural alteration works;
- (4) refurbishment and maintenance works;
- (5) general building construction works;
- (6) fire services, mechanical, electrical and associated works;
- (7) gas, plumbing, drainage and associated works; and
- (8) interior fitting-out works.

The Mandatory Provident Fund Schemes Ordinance does not stipulate that employers in these two industries must join the Industry Schemes. The Industry Schemes provide convenience to the employers and employees in the construction and

LAWS AND REGULATIONS

catering industries. Casual employees do not have to switch schemes when they change jobs within the same industry, so long as their previous and new employers are registered with the same Industry Scheme. This is convenient for scheme members and saves administrative costs.

B. ENVIRONMENTAL PROTECTION

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

The Air Pollution Control Ordinance is the principal legislation in Hong Kong for controlling emission of air pollutants and noxious odour from construction, industrial and commercial activities and other polluting sources. Subsidiary regulations of the Air Pollution Control Ordinance impose control on air pollutant emissions from certain operations through the issue of licences and permits.

A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, particularly the Air Pollution Control (Open Burning) Regulation, the Air Pollution Control (Construction Dust) Regulation and the Air Pollution Control (Smoke) Regulation. The contractor responsible for a construction site shall devise, arrange methods of working and carrying out the works in such a manner so as to minimise dust impacts on the surrounding environment, and shall provide experienced personnel with suitable training to ensure that these methods are implemented. Asbestos control provisions in the Air Pollution Control Ordinance require that building works involving asbestos must be conducted only by registered qualified personnel and under the supervision of a registered consultant.

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

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

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

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

The Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation came into effect on 1 June 2015 to introduce regulatory control on the emissions of non-road mobile machinery (the “NRMMs”), including non-road vehicles and regulated machines such as crawler cranes, excavators and air compressors.

Unless exempted, NRMMs which are regulated under this provision are required to comply with the emission standards prescribed under this regulation. From 1 September 2015, all regulated machines sold or leased for use in Hong Kong must be approved or exempted with a proper label in a prescribed format issued by the Environmental Protection Department pursuant to section 4 of the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation. Under section 5 of the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation, starting from 1 December 2015, only approved or exempted NRMMs with a proper label are allowed to be used in specified activities and locations including construction sites. However, existing NRMMs which are already in Hong Kong on or before 30 November 2015 will be exempted from complying with the emission requirements pursuant to section 11 of the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation. A period of six months (from 1 June 2015 to 30 November 2015, both dates inclusive) is allowed for existing NRMMs to apply for exemption.

Any person who sells or leases a regulated machine for use in Hong Kong, or uses a regulated machine in specified activities or locations without (i) exemption or the Environmental Protection Department’s approval is liable to a fine of up to HK\$200,000 and imprisonment for up to six months, and (ii) a proper label is liable to a fine of up to HK\$50,000 and imprisonment for up to three months.

On 8 February 2015, the Works Branch of Development Bureau issued Technical Circular (Works) No. 1/2015 (the “**Technical Circular**”), pursuant to which the Government of Hong Kong has promulgated an implemental plan to phase out progressively the use of exempted NRMM for four types of exempted NRMM, namely generators, air compressors, excavators and crawler cranes in new capital works contracts of public, including design and build contracts, with an estimated contract value exceeding \$200 million and tenders invited on or after 1 June 2015. Notwithstanding the aforesaid phase out plan, exempted NRMM may still be permitted at the discretion of the architect or engineer of public contracts if there is no feasible alternative. Under phase out plan of the Technical Circular, the contractors being invited to tender or to participate in all new capital works contracts of public works (including design and build contracts) with an estimated contract value exceeding \$200 million on or after 1 June 2015 shall allow no exempted generator and air compressor to be used on site after 1 June 2015 and the quantity of exempted excavators and crawler cranes used on site not to exceed 50%, 20% and 0% of the total number of exempted NRMMs being used on site since 1 June 2015, 1 June 2017 and 1 June 2019, respectively.

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As at the Latest Practicable Date, our Group has 52 regulated machines and out of which four machines and the remaining 48 machines were exempted and approved, respectively, by the Hong Kong Environmental Protection Department under the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation. Set out below is the table showing the details of the approved and exempted NRMMs owned by our Group as at the Latest Practicable Date:

	Quantity		Carrying Amount HK\$'000 <i>(approximate)</i>
	Approved	Exempted	
Air compressor	2	1	45.2 <i>(Note 1)</i>
Drill rig	5	0	1,691.5
Electrical welding machine	3	1	112.0 <i>(Note 2)</i>
Generator	2	0	244.8
Hydraulic excavator	25	2	9,629.8 <i>(Note 3)</i>
Jumbo drill rig	1	0	1,803.0
Loader	1	0	712.5
Platform	5	0	432.1
Shotcrete machine	2	0	1,446.2
Vibratory roller	2	0	54.7
	<u>48</u>	<u>4</u>	<u>16,171.8</u>

Notes:

1. The carrying amount of approved and exempted air compressors amounted to HK\$45,208 and nil, respectively, as at the Latest Practicable Date.
2. The carrying amount of approved and exempted electrical welding machines amounted to HK\$105,000 and HK\$7,000, respectively, as at the Latest Practicable Date.
3. The carrying amount of approved and exempted hydraulic excavators amounted to approximately HK\$9,564,771 and HK\$65,000, respectively, as at the Latest Practicable Date.

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

The Noise Control Ordinance controls the noise from construction, industrial and commercial activities. A contractor shall comply with the Noise Control Ordinance and its subsidiary regulations in carrying out general construction works. For construction activities that are to be carried out during the restricted hours and for percussive piling at all times, construction noise permits are required from the Environmental Protection Department in advance.

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Under the Noise Control Ordinance, noisy construction work and the use of powered mechanical equipment in populated areas are not allowed between 7:00 p.m. and 7:00 a.m. on normal weekdays and any time on general holidays, unless prior approval has been granted by the Environmental Protection Department through the Construction Noise Permit System. Certain equipment is also subject to restrictions when its use is allowed. Hand-held percussive breakers and air compressors must comply with noise emissions standards and be issued with a noise emission label from the Environmental Protection Department. Percussive pile-driving is allowed on weekdays only with prior approval, in the form of a Construction Noise Permit from the Environmental Protection Department. Any person who is in contravention of the aforesaid provisions, according to the Noise Control Ordinance, shall be liable (a) on first conviction to a fine of HK\$100,000; (b) on second or subsequent conviction, to a fine of HK\$200,000, and in any case to a fine of HK\$20,000 for each day during which the offence continues.

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

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

All discharges, other than domestic sewage to a foul sewer or unpolluted water to a storm drain, must be covered by an effluent discharge licence. The licence specifies the permitted physical, chemical and microbial quality of the effluent and the general guidelines are that the effluent does not damage sewers or pollute inland or inshore marine waters.

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

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

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

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A contractor shall observe and comply with the Waste Disposal Ordinance and its subsidiary regulations, particularly the Waste Disposal (Charges for Disposal of Construction Waste) Regulation and the Waste Disposal (Chemical Waste) (General) Regulation.

Under the Waste Disposal (Charges for Disposal of Construction Waste) Regulation, a main contractor who undertakes construction work with a value of HK\$1,000,000 or above will be required to establish a billing account with the Environmental Protection Department to pay any disposal charges payable in respect of the construction waste generated from construction work undertaken under that contract, within 21 days after the contract is awarded.

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

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

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

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

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

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

The Environmental Impact Assessment Ordinance is to avoid, minimise and control the adverse environmental impacts from designated projects as specified in Schedule 2 of the Environmental Impact Assessment Ordinance (for example, public

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utility facilities, certain large-scale industrial activities, community facilities, etc.) through the application of the environmental impact assessment process and the environmental permit system prior to their construction and operation (and decommissioning, if applicable), unless exempted.

According to the Environmental Impact Assessment Ordinance, a person commits an offence if he constructs or operates a designated project listed in Part I of Schedule 2 of the Environmental Impact Assessment Ordinance (which includes roads, railways and depots, residential and other developments, etc.) without an environmental permit for the project; or contrary to the conditions, if any, set out in the permit. The offender is liable (a) on a first conviction on indictment to a fine of HK\$2,000,000 and to imprisonment for 6 months; (b) on a second or subsequent conviction on indictment to a fine of HK\$5,000,000 and to imprisonment for 2 years; (c) on a first summary conviction to a fine at level 6 (currently at HK\$100,000) and to imprisonment for 6 months; (d) on a second or subsequent summary conviction to a fine of HK\$1,000,000 and to imprisonment for one year, and in any case where the offence is of a continuing nature, the court or magistrate may impose a fine of HK\$10,000 for each day on which he is satisfied the offence continued.

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

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

Discharge of muddy water from a construction site is actionable under the Public Health and Municipal Services Ordinance. Maximum fine is HK\$50,000 (level 5) upon conviction.

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

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

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

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C. CONTRACTOR LICENSING REGIME AND OPERATION

Contractor Licensing Regime and the Subcontractor Registration Scheme

Under the current contractors registration system in Hong Kong, the Building Authority shall keep a register of general building contractors who are qualified to perform the duties of a general building contractor and a register of specialist contractors who are qualified to carry out specialised works (such as “foundation works” and “site formation works”) specified in the category in the sub-register in which they are entered. Registered general building contractors may carry out general building works and street works which do not include any specialised works designated for registered specialist contractors.

The main contractors carrying out private sector site formation works and ancillary services are required to register or work together with contractors who are registered on either the list of register of general building contractors or the list of register of specialist contractors (sub-register of site formation works category) with the Buildings Department in Hong Kong.

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

Subcontractors in Hong Kong may apply for registration under the Subcontractor Registration Scheme managed by the Construction Industry Council, a body corporate established under the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong) in February 2007.

The Subcontractor Registration Scheme was formerly known as the Voluntary Subcontractor Registration Scheme (the “**VSRS**”), which was introduced by the Provisional Construction Industry Co-ordination Board (the “**PCICB**”). The PCICB was formed in September 2001 to spearhead industry reform and to pave way for the early formation of the statutory industry coordinating body.

A technical circular issued by the Works Branch of the Development Bureau (then the Environment, Transport and Works Bureau) (“**WBDB**”) on 14 June 2004 (now subsumed into the Project Administration Handbook for Civil Engineering Works by the CEDD) requires that all public works contractors with tenders to be invited on or after 15 August 2004 to employ all sub-contractors (whether nominated, specialist or domestic) registered from the respective trades available under the VSRS.

After the Construction Industry Council took over the work of the PCICB in February 2007 and the VSRS in January 2010, the Construction Industry Council launched stage 2 of the VSRS in January 2013. VSRS was also then renamed

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Subcontractor Registration Scheme. All subcontractors registered under the VSRS have automatically become registered subcontractors under the Subcontractor Registration Scheme.

Subcontractors may apply for registration on the Subcontractor Registration Scheme in one or more of 52 trades covering common structural, civil, finishing, electrical and mechanical works and supporting services. The 52 trades further branch into around 94 specialties, including sheet piles, driven piles, earthwork, geotechnical works, and ground investigation etc.

Where a contractor is to sub-contract/sub-let part of the public works involving trades available under the Primary Register (a list of companies registered in accordance with the Rules and Procedures for the Primary Register of the Subcontractor Registration Scheme) of the Subcontractor Registration Scheme, he shall engage all subcontractors (whether nominated, specialist or domestic) who are registered under the relevant trades in the Primary Register of the Subcontractor Registration Scheme. Should the sub-contractors further sub-contract (irrespective of any tier) any part of the part of the public works sub-contracted to them involving trades available under the Primary Register of the Subcontractor Registration Scheme, the contractor shall ensure that all sub-contractors (irrespective of any tier) are registered under the relevant trades in the Primary Register of the Subcontractor Registration Scheme.

Applications for registration under the Primary Register of the Subcontractor Registration Scheme are subject to the following entry requirements:

- (a) completion of at least one job within five years as a main contractor/subcontractor in the areas which it applies or to have acquired comparable experience by itself/ its proprietors, partners or directors within the last five years;
- (b) listings on one or more government registration schemes operated by policy bureaux or departments of the Government relevant to the trades and specialties for which registration is sought;
- (c) the applicant or its proprietor, partner or director having been employed by a registered subcontractor for at least five years with experience in the trade/ specialty applying for and having completed all the modules of the Project Management Training Series for Sub-contractors (or equivalent) conducted by the Construction Industry Council; or
- (d) the applicant or its proprietor, partner or director having registered as Registered Skilled Worker under the Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong) for the relevant trade/specialty with at least five years' experience in the trade/specialty applying for and having completed the Senior Construction Workers Trade Management Course (or equivalent) conducted by the Construction Industry Council.

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A registered subcontractor shall apply for renewal within three months before the expiry date of its registration by submitting an application to the Construction Industry Council in a specified format providing information and supporting documents as required to show compliance with the entry requirements. An application for renewal shall be subject to approval by the management committee which oversees the Subcontractor Registration Scheme (the “**Management Committee**”). If some of the entry requirements covered in an application can no longer be satisfied, the Management Committee of the Construction Industry Council may give approval for renewal based on those trades and specialties where the requirements are met. An approved renewal shall be valid for two years from the expiry of the current registration.

A registered subcontractor shall observe the Codes of Conduct for Registered Subcontractor (Schedule 8 of the Rules and Procedures for the Primary Register of the Subcontractor Registration Scheme) (the “**Codes of Conduct**”). Failing to comply with the Codes of Conduct may result in regulatory actions taken by the Management Committee.

The circumstances pertaining to a registered subcontractor that may call for regulatory actions include, but are not limited to:

1. supply of false information when making an application for registration, renewal of registration or inclusion of additional trades;
2. failure to give timely notification of changes to the registration particulars;
3. serious violations of the registration rules and procedures;
4. convictions of senior management staff (including but not limited to proprietors, partners or directors) for bribery or corruption under the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong);
5. convictions for failure to pay wages on time to workers in accordance with the relevant provisions contained in the Employment Ordinance;
6. wilful misconducts that may bring the Subcontractor Registration Scheme into serious disrepute;
7. civil awards/judgments in connection with the violation of or convictions under the relevant sections of the Mandatory Provident Fund Schemes Ordinance;
8. convictions under the Factories and Industrial Undertakings Ordinance or Occupational Safety and Health Ordinance in relation to serious construction site safety incidents resulting in one or more of the following consequence:
 - i. loss of life; or
 - ii. serious bodily injury resulting in loss or amputation of a limb or had caused or was likely to cause permanent total disability;

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9. conviction of five or more offences under the Factories and Industrial Undertakings Ordinance and/or Occupational Safety and Health Ordinance each arising out of separate incidents in any six months period (according to the date of committing the offence but not the date of conviction), committed by the Registered Subcontractor at each of a construction site under a contract;
10. convictions for employment of illegal worker under the Immigration Ordinance; or
11. late payment of workers' wages and/or late payment of contribution under the Mandatory Provident Fund Schemes Ordinance over 10 days with solid proof of such late payment of wages and/or contribution.

The Management Committee may instigate regulatory actions by directing that:

- A. written strong direction and/or warning be given to a registered subcontractor;
- B. a registered subcontractor to submit an improvement plan with the contents as specified and within a specified period;
- C. a registered subcontractor be suspended from registration for a specified duration; or
- D. the registration of a registered subcontractor be revoked.

Security of Payment Legislation for the Construction Industry (“SOPL”)

The Hong Kong Government is currently consulting on new legislation for the construction industry to address unfair payment terms, payment delays and disputes. SOPL is intended to encourage fair payment, rapid dispute resolution and increase cash flow in the contractual chain.

When it comes into force, SOPL will apply to all written and oral contracts where construction works or plant and materials are being supplied for works in Hong Kong. All public sector construction contracts will be caught by the legislation, whereas only construction and supply contracts relating to a “new building” (as defined by the Buildings Ordinance) which has an original value in excess of HK\$5 million will be caught in private sector. However, where SOPL applies to the main contract, it will automatically apply to all subcontracts in the contractual chain.

The new legislation will:

- prohibit “pay when paid” and similar clauses in contracts. Payers will not be able to rely on such clauses in dispute resolution forums. “Pay when paid” refers to provisions in contracts that (i) make payment contingent or conditional on the operation of other contract or agreement and (ii) make payment conditional on the payer receiving payment from a third party.

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- prohibit payment periods of more than 60 calendar days for interim payments or 120 calendar days for final payments.
- enable amounts due for construction work or materials or plant supplies to be claimed as statutory payment claims, upon receipt of which the payer has 30 calendar days to serve a payment response, and either party has a statutory right to refer the matter to adjudication for decision (typically a 60 day process).
- give parties who have not been paid amounts admitted as due the right to suspend works until payment is made.

It is probable that some of our contracts will be caught by the new SOPL legislation and where such contracts are subject to SOPL we will have to ensure that their terms comply with the legislation in this regard. SOPL is designed to assist contractors throughout the contractual change to ensure cash-flow and access to a swift dispute resolution process and therefore it is generally considered that where SOPL applies, this will have a positive impact on ensuring that we get paid in a timely manner. On the other hand, as we generally pay our subcontractors within 45 days upon receipt of their payment applications, our Directors consider that our payment pattern does not deviate from the SOPL and our payment practice and cash management will not be materially affected by the SOPL if it becomes effective.

D. USE AND CONVEYANCE OF EXPLOSIVES

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

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

Under section 3 of the Dangerous Goods Ordinance, “dangerous goods” include all explosives, compressed gases, petroleum and other substances giving off inflammable vapours, substances giving off poisonous gas or vapour, corrosive substances, substances which become dangerous by interaction with water or air, substances liable to spontaneous combustion or of a readily combustible nature.

Under section 6 of the Dangerous Goods Ordinance, except under and in accordance with a licence granted under the Dangerous Goods Ordinance, no person shall manufacture, store, convey or use any dangerous goods. Pursuant to regulation 77 of the Dangerous Goods (General) Regulations, every application for any licence to manufacture or store in bulk any permanent gas or liquefied gas shall be made in writing addressed to the director of the Fire Services Department.

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

Blasting Permit

Explosives refer to substances or articles manufactured with a view to producing a practical effect by explosion and are classified as Category 1 Dangerous Goods under the Dangerous Goods (Application and Exemption) Regulations, Chapter 295A of the Laws of Hong Kong). Regulation 46 of the Dangerous Goods (General) Regulations stipulates that no person shall carry out any blasting without the permission of the Authority, i.e. the Commissioner of Mines who is the Director of Civil Engineering and Development. Where blasting is required in a project, the main contractor of the project must obtain from the Commissioner of Mines a valid “Licence to Possess Category 1 Dangerous Goods” and a valid “Permit to Use Category 1 Dangerous Goods” before using explosives in rock excavation. A “Licence to Possess Category 1 Dangerous Goods” is required for the possession of explosives for use at a blast site whereas a “Permit to Use Category 1 Dangerous Goods” is required for preparing, loading and firing of explosives charges. “Licence to Possess Category 1 Dangerous Goods” and “Permit to Use Category 1 Dangerous Goods” are hereinafter referred to as the “Blasting Permits”. To apply for the Blasting Permit, the main contractor is required to submit, among other things, a method statement, an updated blasting assessment report, relevant specifications and contract drawings to the Commissioner of Mines. Upon the acceptance of the method statement and site check to verify that the information and documents submitted are correct and acceptable, the Mines Division will impose conditions requiring the main contractor to take effective preventive, protective and precautionary measures against the adverse effects of blasting e.g. flyrock, vibrations and air-overpressure, to adopt suitable blasting designs and techniques, to comply with the control criteria and to undertake the monitoring shown in the approved plans. Upon satisfactory compliance of the Mines Division’s preliminary licensing requirements and completion of other site preparation works, a Blasting Permit, which normally remains valid for one year, will be issued to the main contractor within 3 working days upon payment of the prescribed licence fee. It may take up to a year from pre-contract blasting assessment stage to the grant of the Blasting Permit.

Mine Blasting Certificate

Under regulation 47 of the Dangerous Goods (General) Regulations, no person shall prepare any charge for blasting or fire any charge unless in possession of a valid Mine Blasting Certificate (“MBC”) issued under Regulation 22 of the Mines (Safety) Regulations. Regulation 22 of the Mines (Safety) Regulations also provides that, save as provided in regulation 24, no person unless he is the holder of an MBC issued under these regulations shall prepare or fire any charges, charge any hole with explosives or conduct any blasting operations in a mine.

There are two routes for a person to obtain an MBC qualification: structured training and apprenticeship. The MBC is valid for three years from the date of issue.

Regulation 24 of the Mines (Safety) Regulations stipulates that the preparation and firing of charges shall be done by a shotfirer. In the preparation of charges and the firing of such charges, a shotfirer may be assisted by reliable persons, who are not shotfirers, when acting under his direct supervision but he shall be personally

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responsible for any accident occurring through such person's ignorance, inexperience, or carelessness and in no case shall any person except a shotfirer actually prepare a detonator or charge any hole. A shotfirer can be someone with necessary qualifications obtained overseas.

Removal and conveyance of explosives

Regulation 4 of the Dangerous Goods (General) Regulation stipulates that no person shall move or cause or permit to be moved any explosives by land or water within Hong Kong except under and in accordance with a removal permit granted by the Commissioner of Mines in the case of removal by land and the Director of Marine in the case of removal by water. Thus, a contractor is required to obtain a removal permit ("**Removal Permit**") if it requires the Mines Division to deliver explosives to a blast site for immediate use or a licensed temporary explosives magazine. The Kau Shat Wan Government Explosives Depot is situated at a remote location on Lantau Island, with only marine access. As conveyance of explosives across the harbour using road tunnels is prohibited by law, explosives are delivered daily in the morning by Government explosives delivery vessel to designated barging points, one each in the New Territories, Kowloon, and Hong Kong Island, at specific times. Government explosives delivery vehicles are then used for delivery of the explosives to the blasting sites. The Mines Division will make explosives delivery from a Government Explosives Depot to a blasting site only upon the issue of a "Removal Permit" by the Commissioner of Mines. The applicant for a Removal Permit must be the owner of the explosives products or his representative who must understand the hazard inherent in the type of dangerous goods being conveyed and the procedures to be followed in case of an accident or an emergency. Only a blasting contractor (hereafter referred to as the Applicant) holding a valid Blasting Permit is permitted to apply for a Removal Permit. The application shall be submitted to the Mines Division electronically, together with: (a) list of explosives and accessories, including, full description of type, size and quantity of the products required; (b) name of the Registered Shotfirer; and (c) technical information: site plan, blast location (plan and sections), blast design including depths and patterns of drill holes, charge loading details, delay and connection details, protective measures and evacuation, and road closure requirements etc., specific to the blast. All the aforesaid information should reach the Mines Division by 5:00 p.m. two working days in advance of the intended blast. The Mines Division will check the information supplied, particularly the blasting design and the protective measures specific to the proposed blast, for compliance with the approved method statement under the relevant "Blasting Permit". The applicant shall satisfactorily answer all queries raised by the Mines Division on such information before 11:00 a.m. Mondays to Fridays and 9:30 a.m. on Saturdays one working day in advance of the intended blast before the "Removal Permit" can be issued.

Storage of bulk emulsion and manufacture of bulk emulsion explosives

For blasting projects involving the use of bulk emulsion (a type of material which is categorised as Category 7 dangerous goods (strong supporters of combustion) under the Dangerous Goods Ordinance), regulation 150 of the Dangerous Goods (General) Regulations stipulates that every application, pursuant to any of the provisions of

LAWS AND REGULATIONS

section 6 of the Dangerous Goods Ordinance, for any licence to manufacture or store any Category 7 dangerous goods shall be made in writing addressed to the Director of Fire Services.

Bulk emulsion is not an explosive until it is sensitised at the blast face by the addition of a gassing agent as it is pumped into the blastholes. Bulk emulsion explosives and bulk ammonium nitrate/fuel oil (“ANFO”) are commonly manufactured at blast sites and used immediately for rock blasting. Under regulation 31A of the Dangerous Goods (General) Regulations, a licence to manufacture a nitrate mixture as defined in Category 1, Class 2, is required outside a factory. The Commissioner of Mines is the Authority for issuing the licence.

A delivery pump is used for the loading of the bulk emulsion into the blastholes. The owner of the pump unit is required to obtain a Category 1 Dangerous Goods manufacturing licence from the Mines Division for the manufacture of the bulk emulsion explosives through the pump unit at blast site. An approval of the pump unit will be issued, subject to satisfactory compliance of the following:

- a manual on operation of the equipment fitted to the pump unit and on procedures for manufacturing explosives
- procedures for safe handling and use of the manufactured explosives
- procedures for disposal of any waste product
- risk assessment on overheating, build up of high pressure at product pump, etc., and the associated control measures on how to prevent the hazards during the manufacturing process of explosives
- emergency response plan to deal with the hazards on overheating, build up of high pressure at product pump, etc., when carrying out the manufacturing process
- emergency response plan to deal with hazards of the raw materials being transported, fires on carrying vehicle, etc., and an emergency contact list
- technical and safety information set

After obtaining an approval for the pump unit, the applicant should make an application in writing to the Commissioner of Mines for a manufacture licence for using the pump unit on specific blast sites. The Commissioner of Mines will issue the written approval of the pump unit to the applicant within three working days upon confirmation of full compliance with all the requirements and will issue the manufacture licence to the applicant within three working days upon confirmation of full compliance with all the requirements. The licence can be valid up to one year upon payment of the required fee. Conditions on the manufacture licence may be imposed as the Commissioner of Mines

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thinks fit to ensure the safety of the public. All operation procedures in manufacturing bulk emulsion explosives at blast faces shall be approved by the Mines Division before a valid category 1 manufacturing licence of the pump unit is issued to the explosive supplier.

E. OTHERS

Competition Ordinance (Chapter 619 of the Laws of Hong Kong)

The Competition Ordinance prohibits and deters undertakings in all sectors from adopting anti-competitive conduct which has the object or effect of preventing, restricting or distorting competition in Hong Kong. It provides for general prohibitions in three major areas of anti-competitive conduct described as the first conduct rule, the second conduct rule and the merger rule.

The first conduct rule prohibits undertakings from making or giving effect to agreements or decisions or engaging in concerted practices that have as their object or effect the prevention, restriction or distortion of competition in Hong Kong. The second conduct rule prohibits undertakings that have a substantial degree of market power in a market from engaging in conduct that has as its object or effect the prevention, restriction or distortion of competition in Hong Kong. The merger rule prohibits mergers that have or are likely to have the effect of substantially lessening competition in Hong Kong. The scope of application of the merger rule is limited to carrier licences issued under the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong).

Pursuant to section 82 of the Competition Ordinance, if the Competition Commission has reasonable cause to believe that (a) a contravention of the first conduct rule has occurred; and (b) the contravention does not involve serious anti-competitive conduct, it must, before bringing proceedings in the Competition Tribunal against the undertaking whose conduct is alleged to constitute the contravention, issue a notice (a “**warning notice**”) to the undertaking.

However, under section 67 of the Competition Ordinance, where a contravention of the first conduct rule has occurred and the contravention involves serious anti-competitive conduct or a contravention of the second conduct rule has occurred, the Competition Commission may, instead of bringing proceedings in the Tribunal in the first instance, issue a notice (an “**infringement notice**”) to the person against whom it proposes to bring proceedings, offering not to bring those proceedings on condition that the person makes a commitment to comply with requirements of the infringement notice. “Serious anti-competitive conduct” means any conduct that consists of any of the following or any combination of the following – (a) fixing, maintaining, increasing or controlling the price for the supply of goods or services; (b) allocating sales, territories, customers or markets for the production or supply of goods or services; (c) fixing, maintaining, controlling, preventing, limiting or eliminating the production or supply of goods or services; (d) bid-rigging.

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In the event of the breaches of the Competition Ordinance, the Competition Tribunal may make orders including: imposing a pecuniary penalty if satisfied that an entity has contravened a competition rule; disqualifying a person from acting as a director of a company or taking part in the management of a company; prohibiting an entity from making or giving effect to an agreement; modifying or terminating an agreement; and requiring the payment of damages to a person who has suffered loss or damage.

Compliance with the relevant requirements

Our Directors confirmed that our Group has obtained all relevant permits/registrations/licenses for its existing operations during the Track Record Period and up to the Latest Practicable Date.

HISTORY AND DEVELOPMENT

OUR CORPORATE HISTORY

The history of our Group can be traced back to December 2001 when our principal operating subsidiary, C&H, was incorporated in Hong Kong and owned as to approximately 33.33% by Ms. Choi, our executive Director and one of our Controlling Shareholders, and as to approximately 66.66% by two independent third parties. C&H has principally engaged in site formation works in Hong Kong since 2001. Subsequent to the share allotment in July 2002 to one of the then shareholders of C&H, C&H was owned as to approximately 25% by Ms. Choi in July 2002. Having recognised the growth potential in site formation industry in Hong Kong, Ms. Choi further acquired 25% interests in C&H and held a total of 50% interests in C&H in July 2002. With the support of the management of C&H, Ms. Choi proactively explored business opportunities for site formation projects in Hong Kong. As one of our founders, Ms. Choi invested in C&H with her own financial resources accumulated from her previous investments and business ventures.

In December 2001, Mr. Tang joined C&H as the chief engineer. Mr. Tang has over 40 years of experience in construction industry in Hong Kong. Leveraging Mr. Tang's extensive industry knowledge, project experience and business connections with potential customers, Ms. Choi invited Mr. Tang to join the board of C&H in November 2004. In November 2004, Mr. Tang acquired 50% interests in C&H and became one of the controlling shareholders of C&H. Mr. Tang is also the spouse of Ms. Choi since July 2012.

To further strengthen our management team, in October 2012, Mr. Kwok, who has over nine years of experience in contract management for construction projects, was invited to join C&H as the technical director. Mr. Kwok acquired 10% interests in C&H in November 2012 and later became a director of C&H in January 2015.

Mr. Tang, Mr. Kwok and Ms. Choi, who are our executive Directors and a group of Controlling Shareholders, are instrumental in the development of our Group. Please refer to the section headed "Directors and Senior Management" in this prospectus for details relating to the background and industry experience of Mr. Tang, Mr. Kwok and Ms. Choi. Details of the members of our Group and their respective corporate history are set out below.

OUR COMPANY

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 31 March 2016. Our Company completed the Reorganisation on 20 September 2016 in preparation for the Listing pursuant to which our Company became the holding company of our Group. Details of the Reorganisation are set out in the paragraph headed "Reorganisation" in this section.

HISTORY AND DEVELOPMENT

OUR PRINCIPAL OPERATING SUBSIDIARY – C&H

C&H was incorporated in Hong Kong with limited liability on 12 December 2001. On the date of incorporation, C&H allotted and issued one share to Ms. Choi, one share to So Kam, an independent third party, and one share to Chong Kit, an independent third party, in each case at the then par value of HK\$1.00 per share. After the allotments, C&H was owned as to approximately 33.33% by Ms. Choi, 33.33% by So Kam and as to 33.33% by Chong Kit.

On 20 July 2002, one share was allotted and issued to Chong Kit at the then par value of HK\$1.00. After the allotment, C&H was owned as to approximately 25% by Ms. Choi, as to 25% by So Kam and as to 50% by Chong Kit.

On 24 July 2002, So Kam transferred one share, representing 25% of the then issued share capital of C&H, to Ms. Choi at a consideration of HK\$1.00, which was determined based on the then par value of the share and was fully settled. Following the said share transfer, C&H was owned as to 50% by Ms. Choi and as to 50% by Chong Kit.

On 3 November 2004, Chong Kit transferred two shares, representing 50% of the then issued share capital of C&H, to Mr. Tang at a consideration of HK\$2.00, which was determined based on the then par value of the share and was fully settled. Following the said share transfer, C&H was owned as to 50% by Ms. Choi and as to 50% by Mr. Tang.

On 9 November 2012, C&H allotted and issued three shares to Ms. Choi, two shares to Mr. Tang and one share to Mr. Kwok at the then par value of HK\$1.00 per share. Following the said allotment of shares and immediately before the Reorganisation, C&H was owned as to 50% by Ms. Choi, as to 40% by Mr. Tang and as to 10% by Mr. Kwok.

BUSINESS DEVELOPMENT AND MILESTONES

The following table sets out the major developments and milestones of our Group since 2001:

Year	Event
2001	C&H was incorporated in Hong Kong on 12 December 2001.
2002	In order to capture the growing business opportunities for site formation works in Hong Kong, we strategically positioned ourselves as a subcontractor in the site formation sector and commenced our first site formation project relating to the construction of a major theme park in Hong Kong.
2006	We were awarded our first tender contract for public works by a major customer with an aggregate contract value of approximately HK\$28.9 million for site formation works.

HISTORY AND DEVELOPMENT

- 2009
- We were awarded certificate and recognised for “Outstanding Safety Performance” by an affiliate of our customer for our effort in safety management and compliance in the Shatin New Town Stage II: Road Works at Area 34 & 52 in Shui Chuen O and Area 56A in Kau To.
 - From 2009 to 2010, we won the merit award under the Construction Industry Safety Award Scheme (Civil engineering Construction Site – Subcontractor) organised by the Labour Department in recognition of our effort in occupational health and safety management and compliance.
- 2011
- We were awarded tender contract with a contract sum of HK\$127.1 million for site formation works (by surface drill and blast method) for a railway line extension project.
- 2013
- We were awarded tender contract with a contract sum of HK\$175.9 million for tunnel excavation works by drill and blast method for a link road relating to Hong Kong-Zhuhai-Macao Bridge, which is our first tunnel excavation project.
 - Our integrated management system is certified to be in compliance with the standard required under ISO 9001:2008 (quality management), ISO14001:2004 (environmental management) and OHSAS 18001:2007 (occupational health and safety management).
- 2014
- We were awarded tender contract with a contract sum of HK\$127.3 million for tunnel excavation works by drill and break for a link road relating to Hong Kong-Zhuhai-Macao Bridge.
 - We were awarded the gold award in the 20th Considerate Contractors Site Award Scheme (Model Subcontractor Award) organised by the Development Bureau and the Construction Industry Council in recognition of our effort in site safety management and compliance in the Yau Ma Tei to Whampoa Tunnels & Ho Man Tin Station project.
- 2015
- We were awarded tender contract with a contract sum of HK\$101.4 million for site formation, foundation, road and drainage works for a residential development project in Shatin.
 - C&H was registered with the Subcontractor Registration Scheme of the Construction Industry Council.
- 2016
- Our Company was incorporated on 31 March 2016 as part of the Reorganisation for the purpose of the Listing.

HISTORY AND DEVELOPMENT

CONCERT PARTY ARRANGEMENT

Pursuant to a deed of confirmation dated 26 May 2016 (the “**Deed**”), Mr. Tang, Ms. Choi and Mr. Kwok have agreed, confirmed and ratified that during the Track Record Period up to the date of the Deed, they, whether by themselves or via any corporate vehicles, have been cooperating and acting in concert (for purpose of the Takeovers Code) with one another in respect of all material management matters, voting decision and/or business decision relating to C&H required to be approved by shareholders under the articles of association of C&H (including but not limited to financial and operation policy, declaration of dividends, annual budget, execution of material contracts and investment and appointment of Directors, senior management and employees relating to the Group), and they had first communicated, discussed and come to a unanimous decision in all shareholders’ meetings and had reached the unanimous decision and resolution in accordance with the consensus achieved among them.

Mr. Tang, Ms. Choi and Mr. Kwok further undertake with each other that following the date of the Deed, among other things, (i) when exercising their respective voting rights at the shareholders’ meetings of C&H and, if applicable, through the Company, they shall vote, or procure any entities which were entitled to vote at the shareholders’ meetings to vote, as the case may be, unanimously in accordance with the consensus achieved among themselves; and (ii) prior to voting on any resolutions in shareholders’ meeting and board meeting of the Company and, if applicable, through the Company, they shall discuss the relevant matters with the other with a view to reaching consensus and a unanimous vote.

In view of the concert party arrangement above, Mr. Tang, Ms. Choi and Mr. Kwok are a group of Controlling Shareholders within the meaning of the Listing Rules.

REORGANISATION

In preparation for the Listing, the companies comprising our Group underwent the Reorganisation to rationalise the corporate structure of our Group. On 20 September 2016, our Company completed the Reorganisation and became the holding company of our Group. The Reorganisation involved the following major steps:

- (a) On 8 October 2015, Waterfront Palm was incorporated in the BVI. On 22 February 2016, five, four and one fully paid ordinary shares of Waterfront Palm, representing 50%, 40% and 10% of the issued share capital of Waterfront Palm, respectively, were allotted and issued to Ms. Choi, Mr. Tang and Mr. Kwok, respectively.
- (b) On 6 January 2016, Honestly Luck was incorporated in the BVI. On 22 February 2016, one fully paid ordinary share of Honestly Luck, representing the entire issued share capital of Honestly Luck, was allotted and issued to Waterfront Palm.
- (c) On 16 December 2015, Tall Too was incorporated in the BVI. On 21 January 2016, one fully paid ordinary share of Tall Too, representing the entire issued share capital of Tall Too, was allotted and issued to Mr. Kwok. The said share was transferred to Honestly Luck on 19 April 2016 at a consideration of US\$1.00.

HISTORY AND DEVELOPMENT

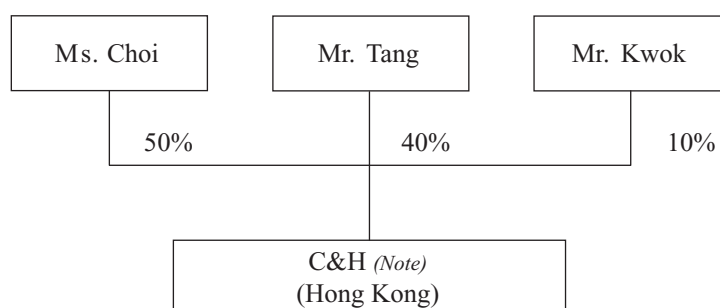
- (d) On 31 March 2016, our Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. One nil-paid Share was allotted and issued to the initial subscriber, and was subsequently transferred to Waterfront Palm on the same day.
- (e) On 31 May 2016, Honestly Luck acquired five shares, four shares and one share of C&H, representing the entire issued shares of C&H, from Ms. Choi, Mr. Tang and Mr. Kwok, respectively. As consideration for the said acquisition, Honestly Luck allotted and issued 99 shares, credited as fully paid at par to Waterfront Palm (a company owned as to 50% by Ms. Choi, 40% by Mr. Tang and 10% by Mr. Kwok).
- (f) on 20 September 2016, our Company acquired 100 shares in Honestly Luck, representing the entire issued shares of Honestly Luck, from Waterfront Palm, and in consideration of such transfer, (i) the 1 nil-paid Share held by Waterfront Palm was credited as fully paid; and (ii) 9,999 Shares were allotted and issued to Waterfront Palm, credited as fully paid.

Immediately after completion of the share transfer referred to in item (f) above, our Company became the holding company of our Group.

The change of shareholdings in C&H pursuant to the Reorganisation is not subject to any approval or permit from any Government authorities in Hong Kong.

OUR GROUP STRUCTURE

The following chart sets forth the corporate and shareholding structure of our Group immediately prior to the Reorganisation:

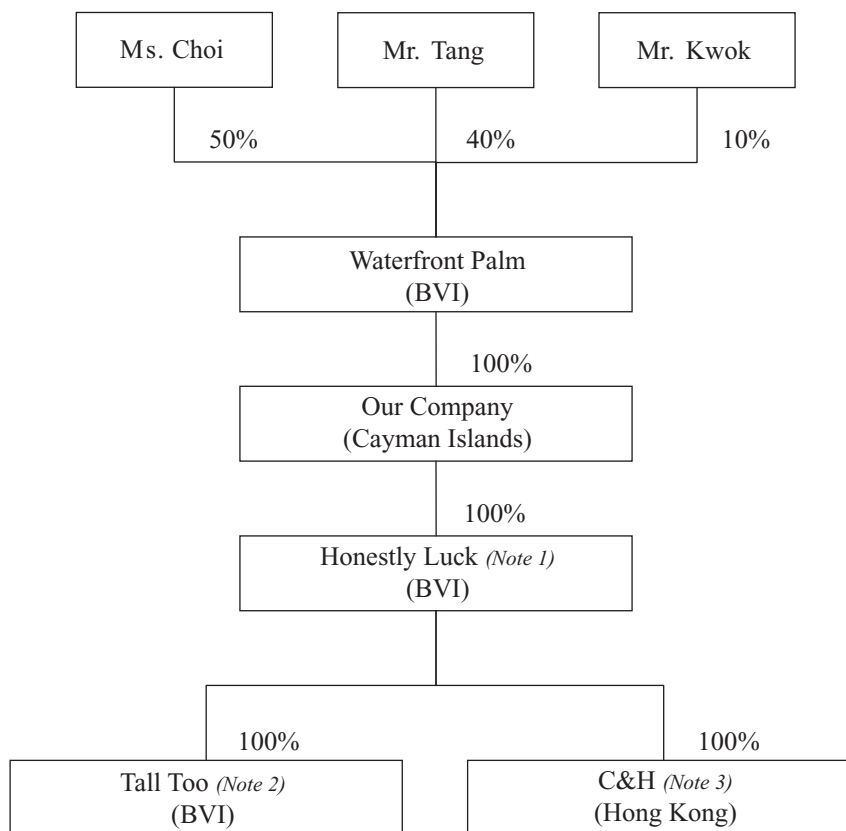


Note: C&H, our principal subsidiary, is principally engaged in site formation works in Hong Kong.

HISTORY AND DEVELOPMENT

As part of the Share Offer, the Selling Shareholder (i.e. Waterfront Palm) will offer 45,000,000 Sale Shares for sale under the Placing. For details of the Sale Shares offered by the Selling Shareholder, please refer to the section headed “Structure and Conditions of the Share Offer” in this prospectus.

The following chart sets forth our corporate and shareholding structure immediately after completion of the Reorganisation but before completion of the Share Offer and the Capitalisation Issue:

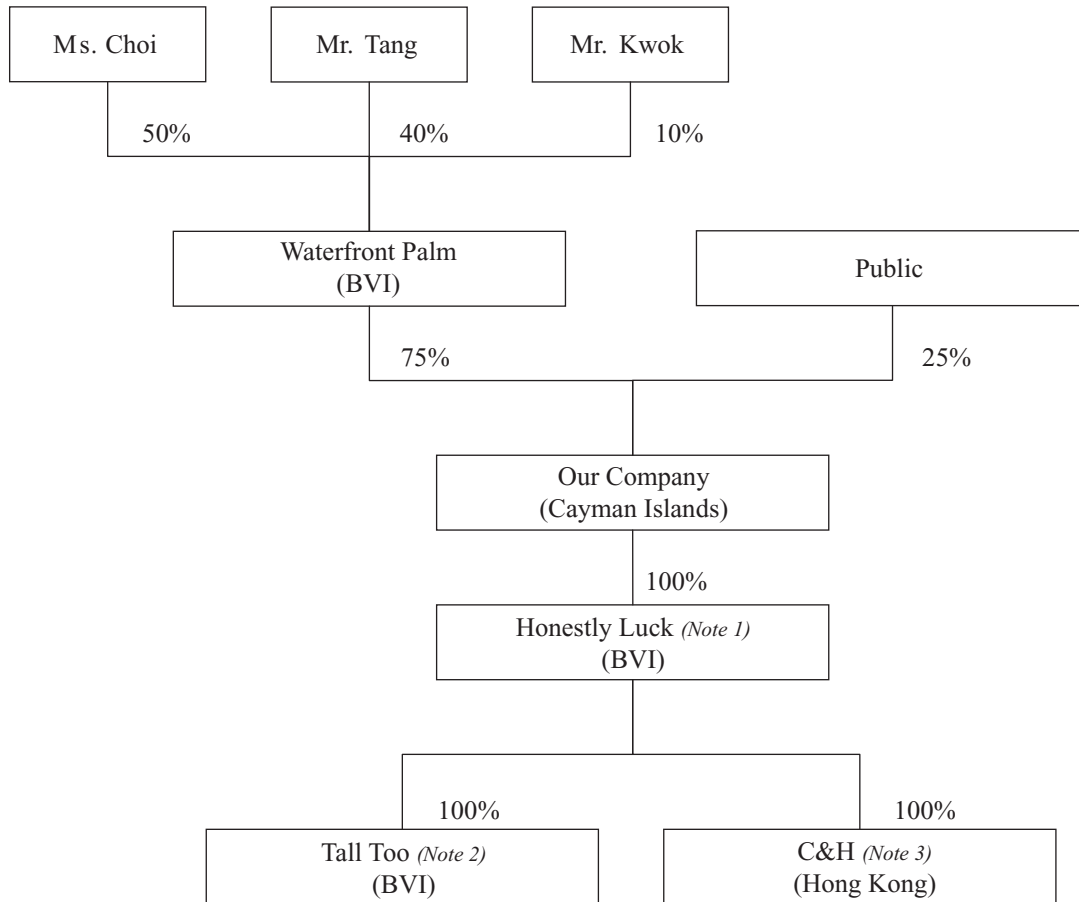


Notes:

1. Honestly Luck is an investment holding company incorporated in the BVI.
2. Tall Too, a company incorporated in the BVI, holds certain intellectual property rights of our Group (including domain name).
3. C&H, our principal subsidiary, is principally engaged in site formation works in Hong Kong.

HISTORY AND DEVELOPMENT

The following chart sets forth our corporate shareholding structure immediately after completion of the Share Offer and the Capitalisation Issue:



Notes:

1. Honestly Luck is an investment holding company incorporated in the BVI.
2. Tall Too, a company incorporated in the BVI, holds certain intellectual property rights of our Group (including domain name).
3. C&H, our principal subsidiary, is principally engaged in site formation works in Hong Kong.

BUSINESS

OVERVIEW

We mainly perform site formation works in Hong Kong as a subcontractor. We have over 14 years of experience in undertaking site formation works in Hong Kong.

During the Track Record Period, as a subcontractor, we provide our customers with comprehensive site formation solutions which generally include (a) general earthworks (including soil and rock excavation, disposal of construction and demolition materials, backfilling and compaction for forming a new site or achieving designed formation level for later development); (b) tunnel excavation works (including rock excavation works for construction of tunnels through drill and break and/or drill and blast methods as well as construction of associated temporary tunnel support structures); (c) foundation works (including ELS works and associated structural works for construction of pile caps for commercial and residential building projects); and (d) road and drainage works (including construction of access roads and drainage systems at construction sites). As part of our ancillary services, we also undertake steel fabrication and installation of steel working platform as a subcontractor. The breakdown of revenue by project type during the Track Record Period is set out below:

	Year ended 31 March					
	2014		2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Site formation works	83,947	100.0	139,367	100.0	204,633	97.4
Ancillary services	—	0.0	—	0.0	5,413	2.6
	<u>83,947</u>	<u>100.0</u>	<u>139,367</u>	<u>100.0</u>	<u>210,046</u>	<u>100.0</u>

We have positioned ourselves as a site formation subcontractor given that (a) we have been undertaking site formation works as a subcontractor for more than 14 years since our commencement of business in 2001; (b) we have neither been admitted to the List of Approved Contractors for Public Works nor registered with the Building Authority as a registered specialist contractor pursuant to the Buildings Ordinance applicable to a main contractor; and (c) our direct customers are mostly main contractors with whom we have developed stable business relationship for years.

In particular, we pride ourselves on our capability and expertise in undertaking blasting works. During the Track Record Period, we have completed two site formation projects involving blasting works with an aggregate revenue recognised of approximately HK\$218.7 million. As at the Latest Practicable Date, we have an in-house team of one blasting engineer and three registered shotfirers. Blasting engineer is in charge of overall blasting design and overall control of the safety and quality of the blasting works involved in site formation works. Registered shotfirer, whose qualification is approved by the Mines Division of CEDD, is qualified to use explosives and administer shot-firing equipment for blasting operations. Our Directors believe that the qualifications and experience of our blasting engineer and registered shotfirers in blasting works give us a competitive edge in winning blasting projects.

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During the Track Record Period and up to the Latest Practicable Date, we had completed 18 projects with a total revenue recognised of approximately HK\$267.2 million. As at the Latest Practicable Date, we had seven projects on hand (including projects in progress as well as projects that have been awarded to us but not yet commenced) with a total awarded contract sum attributable to our Group in the amount of approximately HK\$424.6 million, of which approximately HK\$183.4 million has been recognised as revenue for the year ended 31 March 2016, and approximately HK\$242.0^(Note) million is expected to be recognised as revenue for the year ending 31 March 2017. Further details of our projects are set out in the paragraph headed “Our projects – Our project backlog – Projects on hand” in this section.

Our direct customers are mostly main contractors of various types of infrastructural and commercial and residential building in Hong Kong. Such projects can generally be categorised into public sector projects and private sector projects. Public sector projects refer to projects which the main contractors are employed by the Government or statutory bodies while private sector projects refer to those that are not public sector projects. The majority of our revenue during the Track Record Period was derived from public sector projects. Since we are not registered on the List of Approved Contractors for Public Works as kept by the Development Bureau, we are not directly eligible to tender for public projects. As such, we have to rely on main contractors that are included on the List of Approved Contractors for Public Works for these projects and if we are able to successfully tender for such projects from these main contractors, they will engage our Group as subcontractor of such public projects. The following table sets out a breakdown of our revenue during the Track Record Period by public and private sector projects:

	For the year ended 31 March					
	2014		2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Public sector projects	79,767	95.0	138,450	99.3	155,010	73.8
Private sector projects	<u>4,180</u>	<u>5.0</u>	<u>917</u>	<u>0.7</u>	<u>55,036</u>	<u>26.2</u>
	<u><u>83,947</u></u>	<u><u>100.0</u></u>	<u><u>139,367</u></u>	<u><u>100.0</u></u>	<u><u>210,046</u></u>	<u><u>100.0</u></u>

Note: The amount of HK\$242.0 million expected to be recognised as revenue for the year ending 31 March 2017 represents the aggregate outstanding contract sum (which refers to the aggregate amount of the original contract sum after deduction of the aggregate amount of revenue recognised during the Track Record Period up to the Latest Practicable Date) of our seven projects on hand and may not take into account variation orders (including additions, reductions, modifications and/or other changes in scope of works due to subsequent variation orders) placed by our customers from time to time during the course of project execution. As such, there is no assurance that the actual amount of revenue to be recognised from our projects on hand will not be substantially different from such estimated figure.

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The following table sets out a breakdown of our revenue by building types during the Track Record Period:

	Year ended 31 March					
	2014		2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Infrastructural building	79,767	95.0	138,450	99.3	76,036	36.2
Residential building	4,180	5.0	477	0.4	126,336	60.1
Commercial building	–	–	440	0.3	2,261	1.1
Ancillary services	–	–	–	–	5,413	2.6
	<u>83,947</u>	<u>100.0</u>	<u>139,367</u>	<u>100.0</u>	<u>210,046</u>	<u>100.0</u>

Our Group's revenue from infrastructural building projects increased by approximately HK\$58.7 million, or 73.6%, from approximately HK\$79.8 million for the year ended 31 March 2014 to approximately HK\$138.5 million for the year ended 31 March 2015. Such increase was mainly due to the public tunnel excavation works for a link road relating to Hong Kong-Zhuhai-Macao Bridge with China State Construction, contributed revenue of approximately HK\$131.7 million for the year ended 31 March 2015 as compared to approximately HK\$26.6 million for the year ended 31 March 2014. The revenue from infrastructural building projects decreased by approximately HK\$62.5 million, or 45.1%, from approximately HK\$138.5 million for the year ended 31 March 2015 to approximately HK\$76.0 million for the year ended 31 March 2016, such decrease was mainly due to the said infrastructural project with China State Construction had carried out substantial work for the year ended 31 March 2015 and hence only revenue of approximately HK\$8.4 million was derived from this project for the year ended 31 March 2016.

Our Group's revenue from residential building projects increased by approximately HK\$125.8 million from approximately HK\$0.5 million for the year ended 31 March 2015 to approximately HK\$126.3 million for the year ended 31 March 2016. Such increase was mainly due to (i) the site formation, foundation and road and drainage works for a residential development project with Ming Shing Construction Engineering Co., Ltd, contributed revenue of approximately HK\$39.0 million for the year ended 31 March 2016 as compared to approximately HK\$0.4 million for the year ended 31 March 2015 and (ii) the site formation, foundation, ELS and pile cap works for a residential development project at the railway extension site with New Concepts Foundation Limited, contributed revenue of approximately HK\$77.0 million for the year ended 31 March 2016 as compared to nil for the year ended 31 March 2015.

As a subcontractor, we secure our projects from main contractors or other contractors through tenders by invitation. For the three years ended 31 March 2016, revenue derived from our five largest customers amounted to approximately 100%, 100% and 96.2%, respectively, of our total revenue. The percentage of our revenue attributable to our largest customer amounted to approximately 62.0%, 99.3% and 39.1%, respectively, for the same periods. Please refer to the paragraph headed "Customers – customer concentration" of this

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section for details of our customer concentration. We have maintained a stable relationship with our five largest customers who have maintained business relationship with us for a period ranging from one to five years.

We possess our own machinery and equipment for carrying out our projects and therefore are not materially reliant on our suppliers for rental. Our owned machinery and equipment include, among others, hydraulic excavators, hydraulic hammers, drill rigs, jumbo drill rigs, shotcrete machines, loaders and air compressors with net book value of approximately HK\$16.9 million in aggregate as at 31 March 2016. We believe that our investment in machinery and equipment has placed us in a position to cater to site formation projects of different scales and complexity and to meet the growing demand of our customers. For the three years ended 31 March 2016, we acquired new machinery and equipment in the amount of approximately HK\$8.5 million, HK\$7.7 million and HK\$11.6 million at cost, respectively. For further information regarding our machinery and equipment, please refer to the paragraph headed “Machinery and equipment” in this section. Depending on availability of our machinery and equipment, project schedule and the nature of works involved, we may rent machinery and equipment such as excavators, motor vehicles, jumbo drill rigs and crawler cranes from suppliers on our approved list at rental charges determined with reference to duration and rate of usage of the machinery and equipment. For the three years ended 31 March 2016, our machinery and equipment rental cost incurred amounted to approximately HK\$4.9 million, HK\$2.3 million and HK\$7.3 million, respectively.

We believe that the site formation works industry in Hong Kong will continue to grow due to the Government’s long-term planning for large-scale infrastructure projects and the increasing Government support for rock caverns development projects. These projects will further drive the future demand for tunnel excavation works and rock excavation works in Hong Kong. Riding on our operational resources and experience in these areas, our Directors believe that we are well-positioned to capture more business opportunities from the site formation industry in Hong Kong. For details on the market drivers relating to our Group, please refer to the paragraph headed “Industry overview – Growth drivers and opportunities to the site formation industry in Hong Kong” in this prospectus.

COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and differentiate us from our competitors:

Well established presence in the site formation industry in Hong Kong

We have over 14 years of experience in undertaking site formation works as a subcontractor in Hong Kong. As a subcontractor, we provide our customers with comprehensive site formation solutions covering general earthworks, tunnel excavation works through mechanical drilling, breaking and/or blasting, ELS works, construction of pile caps and road and drainage works and other ancillary services. Over the years, we believe that we have established ourselves as a dedicated subcontractor in the site formation sector consistently achieving customer satisfaction, quality of work and cost control which in turn enables our Group to gain confidence from our customers and therefore increase our opportunities of winning new projects from customers.

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During the Track Record Period, we have completed two site formation projects involving blasting works with an aggregate revenue recognised of approximately HK\$218.7 million, namely, a site formation works for a railway line extension project and a tunnel excavation works project for a link road relating to Hong Kong-Zhuhai-Macao Bridge. For details, please refer to the paragraph headed “Our Projects – Our project backlog – Completed projects” in this section. Currently, as part of the Hong Kong-Zhuhai-Macao Bridge project, we are undertaking a tunnel excavation project by drill and break method with an awarded contract sum of approximately HK\$127.3 million. Completion of this project is expected to take place in December 2016.

Furthermore, our Group has also received a number of awards from our customers in recognition of our work quality and safety management. For details in relation to the awards granted to our Group, please refer to the paragraph headed “Awards and recognitions” in this section.

We believe that our proven track record, our diverse experience and capabilities in site formation works, our expertise in blasting operations and our ability to deliver our jobs on time and within budget are the crucial factors that enable our Group to gain trust of our existing customers and give us a competitive edge when tendering for public works contracts which are crucial to our business operations and future business development.

Experienced management team and qualified personnel

Our management team has extensive industry knowledge and project experience in site formation projects. Mr. Tang, Mr. Kwok and Ms. Choi, who are our executive Directors and a group of Controlling Shareholders, are instrumental in the development of our Group. Mr. Tang, who has over 40 years of experience in construction industry in Hong Kong, is responsible for overseeing our Group’s business development strategy and site operations. Mr. Kwok, who has over nine years of experience in contract management for construction projects, is responsible for general management and overseeing the engineering and technical aspects of our projects. Ms. Choi is responsible for overseeing the administration matters of our Group.

As at the Latest Practicable Date, we have an in-house team of one blasting engineer, and three registered shotfirers. Blasting engineer is in charge of overall blasting design and control of the safety and quality of the blasting works. Registered shotfirer, whose qualification is approved by the Mines Division of CEDD, is qualified to use explosives and administer shot-firing equipment for blasting operations. Our Directors believe that their qualifications and experience in blasting works give us a competitive edge in winning site formation projects involving blasting works.

The qualifications and experience of our management team facilitate the formulation of competitive tenders, which are essential in securing new business opportunities, and in carrying out efficient and timely execution and management of our projects. Our Directors believe that the combination of our management team’s expertise and industry knowledge have been and will continue to be our Group’s valuable assets and strive our Group towards

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greater success. For details of the qualification and experience of our Directors and senior management members, please refer to the section headed “Directors and Senior Management” in this prospectus.

Possession of a range of machinery and equipment

We possess our own machinery and equipment for performing different types of site formation works and therefore we are not materially reliant on our suppliers for machinery and equipment rental. We have made substantial investment in purchasing our own machinery and equipment for performing different types of site formation works. For the three years ended 31 March 2016, we acquired new machinery and equipment in the amount of approximately HK\$8.5 million, HK\$7.7 million and HK\$11.6 million at cost, respectively. As at 31 March 2016, our machinery and equipment had a total net book value of approximately HK\$16.9 million.

Our owned machinery and equipment include, among others, hydraulic excavators, hydraulic hammers, drill rigs, jumbo drill rigs, shotcrete machines, loaders and air compressors. We believe that our investment in different types of machinery and equipment has placed us in a position to cater to site formation projects of different scales and complexity. Our Directors also consider that possession of our owned machinery allows us to devise flexible construction plans and apply suitable machinery specifically catered for the needs and requirements of different customers, as well as enables us to efficiently and effectively schedule our projects and deploy our manpower.

Stable relationship with our major customers and suppliers

We have established stable business relationship with our major customers who are mostly main contractors, the longest time with which is approximately five years. Among our five largest customers during the Track Record Period, we have been providing services to them for a period ranging from one to five years. Besides, we have established stable business relationship with our major suppliers and the longest time with which is approximately five years. Our Directors consider that our stable business relationships with our major customers and suppliers would further enhance our market recognition and enable us to attract more potential business opportunities.

Our commitment to maintaining safety standard, quality control and environmental protection

We place considerable emphasis to maintain safety standard and quality control as they can directly affect our reputation, our service quality and our profitability. They are also among our customers’ key assessment criteria in selecting site formation works subcontractors. Our management system was certified to be in accordance with the standard required under ISO 9001:2008 (quality management), ISO 14001:2004 (environmental management) and OHSAS 18001:2007 (occupational health and safety management). During the Track Record Period and up to the Latest Practicable Date, our Group was not subject to any ongoing employees’ compensation claim and personal injury claim and this demonstrates the effectiveness of our occupational health and safety management system. Our Directors

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believe that our effective occupational health, safety and environment management systems as well as good compliance track record would help reduce our exposure to these claims and improve our overall service quality and profitability.

BUSINESS STRATEGIES

Our principal business objective is to further strengthen our position as an established subcontractor for site formation works in Hong Kong and to create long-term Shareholder's value. We intend to achieve our business objective by the following business strategies.

Expanding our market share and competing for more site formation projects

The aggregate number and size of projects that we are able to undertake in our contracting business hinges on, among others, the amount of our available working capital. For construction projects in Hong Kong, it is not uncommon for contractors to be required to arrange with banks to provide surety bonds or directors and/or shareholders of contractors to provide personal guarantee in the amount of certain percentage (usually 10%) of the contract sum to their customers to ensure contractor's due performance and observance of a subcontract. During the Track Record Period and up to the Latest Practicable Date, there were two public sector projects awarded by China State Construction in an aggregate contract sum of approximately HK\$303.2 million which involved personal guarantees provided by Mr. Tang and Mr. Kwok, our executive Directors and Controlling Shareholders, in favour of China State Construction, one of which with a contract sum of approximately HK\$175.9 million was completed on 31 March 2015 and the personal guarantees given by Mr. Tang and Mr. Kwok in respect of such contract were released. The other one with a contract sum of approximately HK\$127.3 million is still in progress and the relevant personal guarantees remain outstanding. Our Group will voluntarily take out a surety bond before Listing, on a stand-alone basis, from an independent authorised insurer in the amount of up to 10% of the contract sum in favour of China State Construction to secure the due performance of our Group's obligations under this contract. The surety bond requirement may result in the lock-up of a portion of our capital during the term of the surety bond and thereby affecting our liquidity position.

As such, in further developing our business and having regard to our available financial resources, our Directors intend to undertake more projects in the future, including those with surety bonds requirements. Our Directors believe that the net proceeds from the Share Offer will strengthen our available financial resources, thereby allowing us to undertake more projects by applying a portion of the proceeds mainly for satisfying potential customers' surety bonds requirements.

Acquisition of additional machinery and equipment

To further enhance and optimise our overall efficiency, capacity and technical capability in performing site formation projects of different scale and complexity, we intend to acquire additional machinery and equipment with higher efficiency and technical capability. It will also allow us to cope with our business development plan to undertake larger site formation projects in the future and minimise machinery and equipment rental costs. To cope with our needs for the projects on hand and newly awarded projects, we plan

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to acquire drill rigs, hydraulic excavators, air compressors, crawler cranes, hydraulic hammers and shotcrete machines required for our site formation projects. The expected total capital expenditure for the acquisition of the aforesaid machinery and equipment will be approximately HK\$47.2 million which will be financed by the proceeds from the Share Offer. Please refer to the section headed “Future Plans and Use of Proceeds” of this prospectus for further details.

Our Directors believe that acquisition of additional machinery and equipment will allow us to: (i) increase our tender success rate due to the immediate availability of relevant machinery and equipment according to tender requirements; (ii) enhance our works efficiency and technical capability; (iii) increase our flexibility to deploy our resources more efficiently; and (iv) reduce our machinery and equipment rental costs. Our Directors believe that our investments in machinery and equipment will enable us to cater to projects of larger scale and higher complexity in the future. Our Group will also continue to evaluate the operating condition, effectiveness and efficiency of our machinery and equipment and assess our need for additional machinery and equipment in accordance with our business development.

Further strengthening our manpower

We consider it is imperative to expand our workforce in terms of both the staff strength and staff skills. To enhance our manpower for our projects on hand and newly awarded projects, we plan to utilise approximately HK\$14.8 million from the proceeds of the Share Offer to expand our workforce. We intend to increase the number of our staff by 37 which consists of two quantity surveyor staff, two procurement staff, one engineering manager, three foremen, 15 plant operators and 14 general site workers. In addition, we also intend to provide more training to our existing and newly recruited staff on occupational health and safety, machinery and equipment operation and site formation works techniques. Such training courses would include internal training as well as courses organised by external parties and training institutions. Please refer to the section headed “Future Plans and Use of Proceeds” of this prospectus for further details.

OUR SERVICES

Types of works undertaken

We provide our customers with comprehensive site formation solutions as a subcontractor. Our site formation works generally include the following:

General earthworks



General earthworks

- General earthworks include soil and rock excavation, disposal of construction and demolition materials, backfilling and compaction for forming a new site or achieving designed formation level for later development.
- During the Track Record Period, the principal types of earthworks performed by us include:
 - clearance of construction site, removal of unwanted structures, shrubs and trees, surface soil and debris
 - demolition of existing structures
 - forming the site (including excavation of soil and rock and filing) to the design formation and/or basement level
 - preparing construction sites for subsequent foundation works, substructure construction, and/ or superstructure construction
 - excavation on sloping land to design formation level, reduction of natural slope or filling land areas, natural slope stabilisation works

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- During the Track Record Period, we also undertook rock excavation works by surface drill and blast method.



Rock excavation works by surface drill and blast method

- Blast area is prepared by removing loose rocks and leveling bench. Geological inspection and mapping of the exposed rock face is carried out by our customer's geologist.
- Drill-hole locations are marked by surveyor and registered shotfirer. Blast holes are drilled in accordance with the blasting design.
- Blasting engineer will re-check the blasting design to ensure that all necessary blasting preparations are made in accordance with the blasting design.
- Temporary road closure may be carried out prior to blasting. Blast clearance procedures are also in place for the safe evacuation and clearance of all workers (except the registered shotfirer) from the blasting area before each blast.
- After the evacuation, the following blasting procedures will follow:
 - Blast-holes are charged with explosives. Blasting engineer and registered shotfirer will inspect the charging and check the adequacy of protective and precautionary measures.
 - Blast is initiated after the blasting engineer gives a final approval. Blast location is covered by a combination of roof structure, cages and vertical screen to reduce the risk of flyrock.
 - Inspection is carried out by the shotfirer to make sure all explosives and accessories are consumed and geologist will check if the slope conditions are safe after the blast.
 - Fumes from the blasting is minimised by water spraying.

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- Mucking of the blasted rocks, mapping and scaling procedures will be carried out.

Tunnel excavation works

- Tunnel excavation works include rock excavation works for construction of tunnels through drill and break and/or drill and blast methods as well as construction of associated temporary tunnel support structures.
- During the Track Record Period, the principal types of tunnel excavation works performed by us include:

Tunnel excavation by drill and break method:



Mechanical breaking

- Condition survey of geotechnical features and site inspection are carried out by our customer's geologist to examine the topographical and geological conditions of the works site and consideration of rock covers. Mechanical excavation by drill and break method is usually carried out on soft ground with lesser rock strength.
- Prior to the mechanical-breaking excavation, probe holes are drilled ahead to check the rock and groundwater conditions of the works site.
- Pipe piles are installed as portal canopy in accordance with the drawing.
- Pre-excavation grouting is carried out and grout holes are installed at a specified spacing around the tunnel circumference. The angle of the holes will allow the rock dowels to be installed without penetrating the grout cover.

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- Mechanical breaking is then carried out to excavate sufficient depth for installation of a steel arch rib. The exact length of the arch rib installation is determined by geotechnical engineer based on rock quality. Hydraulic breakers are deployed to carry out the scaling work under the supervision of our tunnel foreman or tunnel engineer. Mapping will then carried out.
- Mucking operation is carried out with the use of dump trucks and loaders under the supervision of tunnel foreman.
- Jumbo drilling machine is deployed to drill holes for rock dowels. High yield bars are then installed into the drill holes and cement grout will be pumped into the holes to provide temporary support for the tunnel.

Tunnel excavation by drill and blast method:



Drill and blast

- Condition survey of geotechnical features and site inspection are carried out by our customer's geologist to examine the topographical and geological conditions of the works site and consideration of rock covers to consider the blasting location. Tunnel excavation by drill and blast method is typically carried out on harder ground with higher rock strength.
- Prior to delivery of the explosives to the work site, drill-hole locations are marked by surveyor and registered shotfirer. Blast holes are drilled in accordance with the blasting design.
- Blasting engineer will re-check the blasting design to ensure that all necessary blasting preparations are made in accordance with the blasting design.
- Temporary road closure may be carried out prior to blasting. Blast clearance procedures are also in place for the safe evacuation and clearance of all workers (except the registered shotfirer) from the blasting area before each blast.

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- After the evacuation, the following blasting procedures will follow:
 - Blast-holes are charged with explosives. Blasting engineer and registered shotfirer will inspect the charging and check the adequacy of protective and precautionary measures.
 - A blast is initiated once the blasting engineer gives a final approval.
 - Ventilation is activated to clear the fumes from the blasting.
 - Mucking of the blasted rocks, mapping and scaling procedures will be carried out under the supervision of our tunnel supervisor.
 - Tunnel face is then inspected and temporary support is installed under the supervision of the geologist and tunnel supervisor.

Foundation works

- Foundation works include ELS works and associated structural works for construction of pile caps for commercial and residential building projects.
- During the Track Record Period, the principal types of foundation works performed by us include:



ELS works

- *ELS works:*
 - ELS works begin by inserting the steel pile wall into the soil for the planned excavation. The steel pile pipe wall is generally used to reduce groundwater inflow and prevent the soil from falling from the side.
 - After inserting the steel pile wall, excavation will begin between the steel pile wall.
 - As excavation begins to go below ground level, lateral support is added to keep the steel pile wall stable to perform deeper excavation.

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- When excavation reaches the required depth, pile caps construction and substructure construction begin.
- *Pile caps construction:* ELS works are carried out beforehand to facilitate pile caps construction works. Pile caps are built on top of a pile, or a group of piles to transmit the load. Pile caps are considered part of the foundation and substructure construction. Piles are first inserted into the soil followed by the pile caps construction. As a final step, concrete is poured to form a slab as the bottom of the basement.

Road and drainage works



Road and drainage works

- Road and drainage works include construction and improvement of local road, associated footpaths, planting areas, drains, sewers, water mains and utilities diversion.
- During the Track Record Period, the principal types of road and drainage works performed by us include:
 - construction of access roads and drainage systems at construction sites
 - modification of road junction
 - construction of underground drainage, manholes, cable trenches, water mains, diversion of sewerage pipes

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OUR PROJECTS

The following table sets out the number of contracts that we have been awarded during the Track Record Period and the corresponding aggregate amount of original contract sum in respect of such contracts:

	For the year ended 31 March			From 1 April 2016 to the Latest Practicable Date
	2014	2015	2016	
Number of contracts awarded <i>(Note 1)</i>	<u>2</u>	<u>8</u>	<u>9</u>	<u>5</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Corresponding aggregate amount of original contract sum in respect of such contracts <i>(Note 2)</i>	<u>190,833</u>	<u>251,698</u>	<u>129,186</u>	<u>93,526</u>

Notes:

1. Number of contracts awarded for each financial year includes all projects with respect to which our engagement was confirmed during the financial year, regardless of whether or not our tender was submitted during the same financial year.
2. Such amount excludes any subsequent changes due to variation orders (see the paragraph headed “Our services – Operation flow – Variation orders” below in this section).

Depending on the nature and complexity of a project as well as the existence of any unforeseen circumstances (such as bad weather conditions, industrial accidents, variation orders requested by customers, etc., if any), the duration of a contract (from the date of engagement to the date of completion) could generally range from approximately one month to two years. During the Track Record Period, the average duration of completed projects was approximately 10 months.

Please also refer to the section headed “Financial Information – Description of selected items from combined statements of profit or loss and other comprehensive income – Revenue” for details of breakdown of our revenue by project type.

Our customers are mostly main contractors of various types of infrastructural, commercial and residential building projects in Hong Kong. Such projects can generally be categorised into public sector projects and private sector projects. Public sector projects refer to projects which the main contractors are employed by the Government or statutory bodies while private sector projects refer to those that are not public sector projects. The majority

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of our revenue during the Track Record Period was derived from public sector projects. The following table sets out the number of contract with revenue contributed to us during the Track Record Period by public and private sector projects:

	For the year ended 31 March		
	2014	2015	2016
Number of contracts with revenue contribution to us			
● Public sector projects	3	5	9
● Private sector projects	<u>1</u>	<u>3</u>	<u>6</u>
	<u>4</u>	<u>8</u>	<u>15</u>

The following table sets out a breakdown of our revenue during the Track Record Period attributable to public and private sector projects:

	For the year ended 31 March					
	2014		2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Public sector projects	79,767	95.0	138,450	99.3	155,010	73.8
Private sector projects	<u>4,180</u>	<u>5.0</u>	<u>917</u>	<u>0.7</u>	<u>55,036</u>	<u>26.2</u>
	<u>83,947</u>	<u>100.0</u>	<u>139,367</u>	<u>100.0</u>	<u>210,046</u>	<u>100.0</u>

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Our project backlog

As at 31 March 2014, 2015, 2016 and the Latest Practicable Date, we had a total of two, six, eight and seven projects in our backlog (representing projects that had commenced but not completed at the respective dates) respectively. Set out below is the table showing the number of our projects backlog, completed and commenced and the corresponding aggregate awarded contract sum during the Track Record Period and up to at the Latest Practicable Date:

	For the year ended 31 March						For the period from 1 April 2016 to the Latest Practicable Date	
	2014		2015		2016			
	HK\$'000	Number of contracts attributed	HK\$'000	Number of contracts attributed	HK\$'000	Number of contracts attributed	HK\$'000	Number of contracts attributed
Opening aggregate awarded contract sum of backlog	127,078	1	177,782	2	245,215	6	349,795	8
Aggregate awarded contract sum of new contracts commenced	192,753	3	245,215	6	124,431	8	102,845	7
Aggregate awarded contract sum of completed contracts	(142,049)	(2)	(177,782)	(2)	(19,851)	(6)	(28,014)	(8)
Closing awarded contract sum of backlog	<u>177,782</u>	<u>2</u>	<u>245,215</u>	<u>6</u>	<u>349,795</u>	<u>8</u>	<u>424,626</u>	<u>7</u>

Note: The awarded contract sum is based on the initial agreement between our customer and us and may not include additions, modifications due to subsequent variation orders, as such final revenue recognised from a contract may differ from the awarded contract sum.

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The following tables set out a list of our completed projects, our projects on hand and a breakdown of our backlog during each year of the Track Record Period and up to the Latest Practicable Date:

Completed projects

During the Track Record Period and up to the Latest Practicable Date, we completed 18 projects, details of which are set out below:

Customer	Sector	Type(s) of works involved	Project duration	Revenue recognised during each year of the Track Record Period and up to the Latest Practicable Date (Note) (HK\$'000)	Amount of revenue expected to be recognised for the year ended 31 March 2017 (HK\$'000)
New Concepts Foundation Limited	Private	Site formation, ELS works and pile cap works for a residential redevelopment project	August 2013 – November 2013	FY2014: 4,180 FY2015: – FY2016: – LPD: 600	600
Customer A	Public	Site formation works (by surface drill and blast method) for a railway line extension project	November 2011 – March 2014	FY2014: 52,022 FY2015: – FY2016: – LPD: –	–
China State Construction	Public	Site formation works for viaduct abutment for a link road relating to Hong Kong-Zhuhai-Macao Bridge	March 2014 – November 2014	FY2014: 1,166 FY2015: 302 FY2016: – LPD: –	–
China State Construction	Public	Tunnel excavation works by drill and blast method for a link road relating to Hong Kong-Zhuhai-Macao Bridge	August 2013 – March 2015	FY2014: 26,579 FY2015: 131,708 FY2016: 8,419 LPD: 2,057	2,057
China State Construction	Public	Steel fabrication works	March 2015 – April 2015	FY2014: – FY2015: 157 FY2016: 37 LPD: –	–
Customer D	Private	Site formation and ELS works for a building project	May 2015 – July 2015	FY2014: – FY2015: – FY2016: 4,743 LPD: –	–
New Concepts Foundation Limited	Private	Site formation, foundation, ELS and pile cap works for a building project	January 2015 – August 2015	FY2014: – FY2015: 80 FY2016: 5,223 LPD: –	–
China State Construction	Public	Rock excavation works for a link road relating to Hong Kong-Zhuhai-Macao Bridge	January 2015 – November 2015	FY2014: – FY2015: 871 FY2016: 1,443 LPD: 518	518

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Customer	Sector	Type(s) of works involved	Project duration	Revenue recognised during each year of the Track Record Period and up to the Latest Practicable Date (Note) (HK\$'000)	Amount of revenue expected to be recognised for the year ended 31 March 2017 (HK\$'000)
China State Construction	Public	Site formation works	November 2015 – February 2016	FY2014: – FY2015: – FY2016: 428 LPD: –	–
Customer E	Public	Equipment setting up and welding works	March 2016	FY2014: – FY2015: – FY2016: 1,970 LPD: –	–
Kat Yue Construction Engineering Limited	Public	Steel fabrication works	July 2015 – April 2016	FY2014: – FY2015: – FY2016: 5,707 LPD: 374	374
Customer C	Private	Site formation, ELS and pile cap works for a commercial development project	February 2015 – April 2016	FY2014: – FY2015: 440 FY2016: 2,261 LPD: 769	769
Customer F	Private	Site formation works for a residential development project	January 2016 – April 2016	FY2014: – FY2015: – FY2016: 359 LPD: 135	135
China State Construction	Public	Installation of steel working platform	March 2016 – April 2016	FY2014: – FY2015: – FY2016: 148 LPD: 31	31
China State Construction	Public	Steel fabrication works	April 2016 – May 2016	FY2014: – FY2015: – FY2016: – LPD: 551	551
China State Construction	Public	Drainage works	July 2016	FY2014: – FY2015: – FY2016: – LPD: 536	536
China State Construction	Public	Road works for a link road relating to Hong Kong-Zhuhai-Macao Bridge	April 2016 – August 2016	FY2014: – FY2015: – FY2016: – LPD: 4,384	4,384
Customer K	Private	Excavation and pile cap works for a residential and commercial development project	April 2016 – August 2016	FY2014: – FY2015: – FY2016: – LPD: 9,007	9,007
Total:				<u>267,205</u>	<u>18,962</u>

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Note: The revenue recognised during each year of the Track Record Period represents the audited revenue recognised for the three years ended 31 March 2016, and the revenue from 1 April 2016 up to the Latest Practicable Date represents the unaudited revenue recognised for the same period, in each case taking into account of any additions and modifications due to variation orders (if any).

Projects on hand

As at the Latest Practicable Date, we had a total of seven projects on hand (including projects in progress and projects that have been awarded to us but not yet commenced), details of which are set out below:

Customer	Sector	Type(s) of works involved	Date of our commencement of works and expected date of completion of works ^(Note 1)	Awarded contract sum ^(Note 2) (HK\$'000)	Revenue recognised during each year of the Track Record Period and up to the Latest Practicable Date ^(Note 3) (HK\$'000)	Amount of revenue expected to be recognised for the year ended 31 March 2017 (HK\$'000)
Ming Shing Construction Engineering Co., Ltd.	Private	Site formation, foundation, road and drainage works for a residential development project	Commencement: March 2015 Expected completion: October 2016	101,407	FY2014: – FY2015: 397 FY2016: 39,007 LPD: 60,205	71,684
New Concepts Foundation Limited	Public	Site formation, foundation, ELS and pile cap works for a railway extension project	Commencement: August 2015 Expected completion: October 2016	97,714	FY2014: – FY2015: – FY2016: 77,005 LPD: 10,273	10,273
Customer G	Public	Site formation, road and drainage works for a hotel project of a major theme park in Hong Kong	Commencement: January 2016 Expected completion: October 2016	9,215	FY2014: – FY2015: – FY2016: 1,731 LPD: 6,581	7,484
China State Construction	Public	Tunnel excavation works by drill and break for a link road relating to Hong Kong-Zhuhai-Macao Bridge	Commencement: February 2015 Expected completion: December 2016	127,270	FY2014: – FY2015: 5,412 FY2016: 59,853 LPD: 26,226	63,447
Customer H	Private	Site formation and geotechnical works for a residential and kindergarten development project	Commencement: June 2016 Expected completion: December 2016	61,970	FY2014: – FY2015: – FY2016: – LPD: 18,300	61,970
Customer I	Private	ELS and pile cap construction works for a hotel project	Commencement: September 2016 Expected completion: December 2016	12,237	FY2014: – FY2015: – FY2016: – LPD: –	12,237
Customer J	Public	Excavation and underground drainage works for a construction project of Government complex	Commencement: May 2016 Expected completion: December 2016	14,813	FY2014: – FY2015: – FY2016: – LPD: 8,281	14,911
Total:				<u>424,626</u>	<u>313,271</u>	<u>242,006</u>

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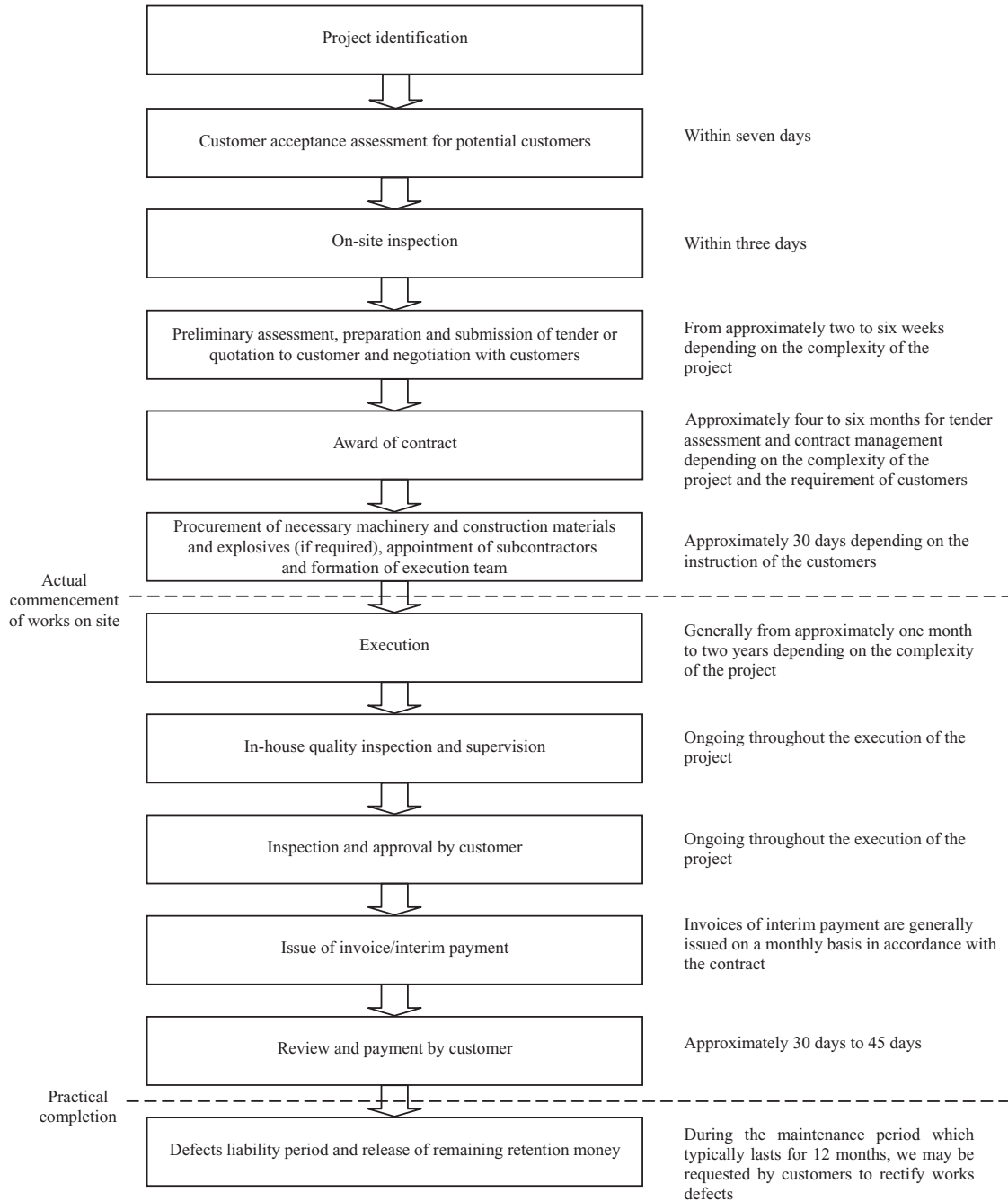
Notes:

1. The expected completion date for a particular contract is provided based on our management's best estimation. In making the estimation, our management takes into account factors including the expected completion date specified in the relevant contract (if any), the extension period granted by our customers (if any) and the actual work schedule.
2. The awarded contract sum is based on the initial agreement between our customer and us and may not include additions, modifications due to subsequent variation orders, as such final revenue recognised from a contract may differ from the awarded contract sum.
3. The revenue recognised during each year of the Track Record Period represents the audited revenue recognised for the three years ended 31 March 2016, and the revenue from 1 April 2016 up to the Latest Practicable Date represents the unaudited revenue recognised for the same period, in each case taking account of any additions and modifications due to variation orders (if any).

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OPERATION FLOW

The following diagram summarises the principal steps of our operation flow:



Note: Our Directors confirm that the time frame may vary for different contracts depending on various factors such as the terms of contract, the nature of works to be performed, presence of variation orders and/or our agreement with the customer on the timeframe for the principal steps to be undertaken as well as other unforeseeable circumstances.

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Project identification and invitation by tender

Our projects are typically awarded through tender by invitation. We are usually invited by our customer or their appointed architects or consultants by way of invitation letters, phone calls or verbal invitations to submit a tender proposal for a potential project as a subcontractor. Our customers are main contractors of various types of infrastructural, commercial and residential building projects in Hong Kong. We are also provided with preliminary information on the specifications, site conditions and relevant drawings. For further information of our marketing activities, please refer to the paragraph headed “Marketing activities” in this section.

Tender analysis and preparation of tenders

After receiving the tender or quotation details, our executive Directors make a preliminary assessment of the requirements of the tender. In our assessment, in considering whether to bid for the tender, we evaluate the profitability of the project, the feasibility of undertaking such project with reference to technical specifications, our expertise and capacity, our available manpower resources, cost of labours and construction materials, project schedule, quality expectation, preliminary safety and environmental risk analysis and other possible risk factors associated with such project. We may also conduct on-site inspection for a better understanding of the conditions of the site if necessary.

Once our executive Directors consider a potential project to be acceptable based on our review and assessment, our operation manager is responsible for preparing a tender proposal based on the information provided by our prospective customer. The actual contents of our tender proposal or quotation submitted to the main contractor depends on the project nature and requirements from the customers, which generally includes the price list on site formation works and other ancillary works such as drilling and technical works. In the course of preparation of a tender, we also consider the complexity of a potential project, the manpower needed, the availability of machinery and equipment required and the tender price. For details of our pricing strategy, please refer to the paragraph headed “Customers – Pricing strategy” in this section. Details of our tender submission are reviewed and approved by our executive Directors before submission to the customer for consideration and tender interview.

Our tender success rate

The following table summarises our overall tender success rate for each of the three years ended 31 March 2016:

	For the year ended 31 March		
	2014	2015	2016
Number of tender invitation received	17	41	82
Number of tenders submitted	13	38	47
Number of tenders won	2	8	11
Success rate (%)	15	21	23

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Note: Tender success rate is calculated by dividing the number of contracts awarded in respect of the tenders submitted during a financial year by the number of tenders submitted during the financial year.

Our tender success rate for the year ended 31 March 2014 was lower than the tender success rate for the two years ended 31 March 2015 and 2016 principally because we were occupied with various large-scale projects awarded prior to commencement of the Track Record Period during the year ended 31 March 2014. Nevertheless, it was our strategy to be responsive to our customers' tender invitations and submit tenders to our existing customers in order to maintain business relationship with our existing customers and maintain our presence in the market. Under such circumstances, our Directors believe that we had taken a relatively prudent approach in costs estimation by factoring a higher profit margin which may cause our tender price to be less competitive than the tenders submitted by our competitors during the year ended 31 March 2014.

Project acceptance and award of contracts

Upon receipt of our tender, our customer may, by way of interview or enquiries, clarify with us the particulars of our submitted tender. The final choice of the subcontractor is subject to the negotiations between the main contractor and the employer, as well as the successful application for the requisite blasting permits and licences if blasting works are involved in the project. For details of the blasting permits, please refer to the paragraph headed "Preparation of method statement, application of blasting permit and blast design (if required)" of this sub-section below.

Once our customer decides to engage us, we will be informed of its acceptance of our tenders by a letter of acceptance issued to us by our customer. We then enter into a formal agreement with the customer incorporating the detailed terms and conditions of the contract. For the principal terms of our engagement in a typical contract, please refer to the paragraph headed "Customers – Major terms of engagement with our customers" in this section.

Forming a project team

Depending on the scale and complexity of the project, our project team generally comprises the following key personnel: project manager, engineer, superintendent, quantity surveyor and foreman.

If blasting works are involved in a project, our project team will include blasting engineer and registered shotfirer, who are typically seconded to our customers on project basis. Our customers may pay their salaries and other emolument on our behalf and such amounts are settled by way of contra-charge arrangement i.e. the service fee payable to our Group will be settled after netting of the amount of salaries paid by our customers to the blasting engineer and registered shotfirer. For further details of the contra-charge arrangements, please refer to the paragraph headed "Suppliers – Contra-charge arrangement with our customers which is also our supplier" in this section.

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Our executive Directors also closely monitor the progress of the project on a continuous basis to ensure that our works meet our customers' requirements, within budget and in compliance with all applicable laws and regulations. Our project team oversee the project on site on project basis and report to our executive Directors on project status and identify any issues that need to be resolved from time to time.

Set out below are some general duties performed by our key personnel in a project team:

Project manager

Our project manager is mainly responsible for communicating with our customers, subcontractors and other members of the project team on the project status, supervising our overall workforce on site, monitoring work efficiency and performance of site workers allocation of resources in a project, reviewing the progress reports, safety reports and site daily records.

Our project manager directly reports to our Board on contract management, project status and issues, and attend progress meetings to report the project progress to our customers.

Engineer

Our engineer is responsible for overseeing the engineering and technical aspects of the project such as designing the whole site operation and suitable methodology and procedures for customer's approval. Our engineer is also responsible for assisting the project manager in liaising with our customers and their representative consultants on site on technical aspects of the project.

Superintendent

Our superintendent is responsible for inspecting fieldworks, assisting our project manager to supervise and monitor work progress on site, supervising workmanship and quality and preparing site daily records setting out the works performed by our workers and subcontractors.

Quantity surveyor

Our quantity surveyor is responsible for inspecting the work progress on site and preparing payment application. Our quantity surveyor is also required to update our project manager with the latest certified progress from our customers.

Foreman

Our foreman is responsible for assisting our superintendent to supervise and provide guidance to site workers, carrying out in-process and final inspection and coordinating day-to-day site operations.

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Blasting engineer

If blasting works are involved in a project, we will second our blasting engineer to our customer at their request on project basis. Blasting engineer is responsible for overseeing all blasting activities and takes full responsibility and overall control of the safety and quality of the blasting works. He also assists our customer to prepare a method statement for application of blasting permits by the Mines Division of CEDD. Blasting engineer is also responsible for preparing blast design which sets out the blast productivity, the types of explosives, initiation systems to be used and the protective and precautionary measures with reference to the geological condition of the works site.

Registered shotfirer

In addition to blasting engineer, our registered shotfirer is also seconded to our customer at their request on project basis at the start of a blasting project. A registered shotfirer, whose qualification is approved by the Mines Division of CEDD, is qualified to use explosives and administer shot-firing equipment for charging and firing. He also assists the blasting engineer to supervise and monitor the blasting operations. Please refer to the section headed “Laws and Regulations – D. Use and Conveyance of Explosives – Mine Blasting Certificate” for details of the regulatory regime on the licensing requirements applicable to registered shotfirers.

Preparation of method statement, application of blasting permit and blast design (if required)

If blasting works are involved in a project, as soon as we are awarded the contract, we will second our blasting engineer and registered shotfirer(s) to our customer on project basis. Our blasting engineer will then assist our customer to prepare a method statement which describes the method, procedures and safety precautions of drilling and blasting works in details. This is to ensure that (a) no harm is caused to any persons and buildings and the surrounding sensitive utilities due to blast induced vibration; (b) safe and smooth operation for all drill and blast works will be carried out with sufficient coordination between respective government departments, contractors, engineers, workers with responsible consideration for the general public; and (c) the delivery, handling and use of explosives are carried out in a safe manner in compliance with relevant laws and regulations. The method statement will be endorsed by the blasting competent supervisor and approved by the Mines Division of CEDD.

In the meantime, our blasting engineer will assist our customer to apply to the Mines Division of CEDD for a “Licence to Possess Category 1 Dangerous Goods” for the possession of explosives for immediate use at a blast site, and a “Permit to use Category 1 Dangerous Goods” for preparing, loading and firing of explosive charges (collectively referred to as “**Blasting Permit**”). Our customer as the main contractor is in charge of applying for the Blasting Permit from the Mines Division of CEDD. To apply for the Blasting Permit, our customer is required to submit, among other things, the method statement, an updated blasting assessment report, relevant specifications and contract drawings to the Commissioner of Mines. Upon the acceptance of the method statement and

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site check to verify that the information and documents submitted are correct and acceptable, the Mines Division will impose pre-licensing requirements to the main contractor for follow-up actions including, among others:

- establishment of vibration monitoring stations on site
- erection of warning signboards at major accesses to prevent unauthorised entry to the site
- visit by the main contractor to the Mines Division together with the proposed shotfirer(s) (who is/are seconded to our customer on project basis) for an interview to discuss the delay firing techniques and other safety conditions required for the site
- arrangement with the appointed explosives supplier(s) to give briefings to the blasting crew to enhance their awareness on the method of safe handling and use of explosives
- fabrication of protective measures, like screens, blast cages, blast door, etc.
- completion of necessary slope strengthening works
- establishment of site magazine, explosives off-loading point and safe transport route
- clearance of vegetation around blast boundary and removal of overburden above rock.

Upon satisfactory compliance of the Mines Division's preliminary licensing requirements and completion of other site preparation works, a Blasting Permit, which normally remains valid for one year, will be issued to the main contractor within 3 working days upon payment of the prescribed licence fee. It may take up to a year from pre-contract blasting assessment stage to the grant of the Blasting Permit. Pending the grant of the Blasting Permit by the Mines Division, our customer may engage us to carry out preliminary site formation works such as earthworks and preliminary rock and soil excavation works at the works site.

For blasting project involving the use of bulk emulsion (a type of material which is categorised as category 7 dangerous goods (strong supporters of combustion) under the Dangerous Goods Ordinance), we or our explosive supplier are required to apply to the Dangerous Goods Division of the Fire Services Department for a category 7 dangerous goods licence to store the bulk emulsion. Bulk emulsion is not an explosive until it is sensitised at the blast face by the addition of a gassing agent as it is pumped into the blastholes. A delivery pump is used for the loading of the bulk emulsion into the blastholes. Our explosive supplier is required to obtain a category 1 dangerous goods manufacturing licence from the Mines Division for the manufacture of bulk emulsion explosives through

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the pump unit for specific blast site. All operation procedures in manufacturing bulk emulsion explosives at blast faces shall be approved by Mines Division before a valid category 1 manufacturing licence of the pump unit is issued to the explosive supplier.

In addition, blasting engineer will prepare a blast design to (a) maximise the blast productivity and fragmentation of the rocks, (b) determine the types of explosives and initiation systems to be used, (c) consider various blasting parameter factors (including without limitation drill-hole diameter selection, blast-hole angle, positioning of blast-holes, burden distance, spacing distance, stemming length, blast-hole loading, blast-hole delay timing and initiation sequence, initiation burning front, powder factor and maximum instantaneous charge) in designing the blasting pattern and (d) set out the protective and precautionary measures taking into account any geological anomalies within the site. Technical information on each blast to be carried out, including the blast design, protective measures and explosives and initiation systems, will be submitted to the Mines Division before 5 p.m. on the second working day preceding the day of the intended blast. The blast design will be checked and endorsed by the blasting competent supervisor (BSC) and the Mines Division before 9:00 a.m. on the working day preceding the day of intended blast.

Arranging for machinery and equipment

Most of our site formation works involve usage of machinery and equipment. Our owned machinery and equipment include, among others, hydraulic excavators, hydraulic hammers, drill rigs, jumbo drill rigs, shotcrete machines, loaders and air compressors. We either make use of our own machinery and equipment or rent from external machinery and equipment rental service providers. Our project managers are responsible for managing the machinery and equipment for all projects and determining the types of machinery to be used, the time for the usage of machinery and the transportation logistics of machinery. For details on our machinery and equipment, please refer to the paragraph headed “Machinery and equipment” in this section.

Engagement of subcontractors

Depending on our capability, project schedule, resources level, cost effectiveness and the complexity of the project, we may subcontract specific parts of the project, such as pile cap construction, geotechnical works, ELS works and road and drainage works, to our subcontractors in Hong Kong on our Group’s approved list of subcontractors. More than one subcontractor may be engaged for a project depending on the scale and complexity of the project.

Procurement of construction materials and explosives

The key construction materials that we purchase for our projects mainly include explosive, diesel fuel and other parts and consumables. Our administration department consults our quantity surveyors and engineering department to determine the quantity, delivery schedule, specifications and type of construction materials to be purchased in order to meet our customers’ requirements. We will then place orders with our approved suppliers and purchase the required materials on a project basis. Our construction materials are purchased and sent to the site directly from our suppliers. As the materials are purchased on

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a project basis in accordance with the project requirements, we rely on the accurate estimation on the amount of construction materials needed and we normally allow for a small buffer in each batch of order to avoid wastage. As such, we do not retain any construction materials as inventory.

In blasting projects, our customer, having obtained the “Licence to Possess Category 1 Dangerous Goods” and “Permit to use Category 1 Dangerous Goods” from the Mines Division of CEDD, may purchase the explosives from the explosives suppliers and make payment on our behalf. Such payment will be deducted from our service fee payable to us by way of contra-charge arrangement. Please refer to the paragraph headed “Suppliers – Contra-charge arrangement with our customers which is also our supplier” in this section for further details.

Our customer will submit an application for a removal permit to the Mines Division before 9:30 a.m. on the working day preceding the day of the intended blast for removal of the explosives from the Government Explosives Depot at Kau Shat Wan, Lantau Island. The explosives supplier will process the daily explosive order and provide electronic format of issue vouchers for and on behalf of the main contractor, and all ordering documents to the Mines Division before 11 a.m. on the working day preceding the day of the intended blast. Submission of the original electronic vouchers and ordering documents to the Mines Division must be made together with the required removal permit fee and government delivery fee of the explosives ordered before 4 p.m. on the working day preceding the day of the intended blast.

Subject to the weather condition on the blast date, the Mines Division will deliver pre-ordered explosives to the works site on daily basis. Daily delivery of explosives from the Government Explosives Depot at Kau Shat Wan, Lantau Island, to the temporary jetty will be made by government vessel. Once the explosives arrive at the jetty, they will be transported by Mines Division to the designated site for unloading of explosives from the Government explosives delivery vehicles. Registered shotfirer will check and inspect the explosives and acknowledge receipt on the removal permit in the presence of an escorting security guard of the Mines Division. Registered shotfirer is responsible for transporting the explosives to the blasting locations for charging immediately.

Execution

The construction works are executed by our direct labours and/or our subcontractors under the supervision of our on-site project teams and representatives of our customers. Throughout the execution phase, our project manager will meet our customers to review work progress and to resolve any issues identified during the course of execution. Please refer to the paragraph headed “Our services – types of works undertaken” of this section for further details on execution of earthworks, tunnel excavation works, foundation works and road and drainage works.

For blasting projects, firing of the blast should take place before sunset. Hence, adequate time and resources should be allocated to put all the required protective measures properly in place before arrival of explosives on site. Prior to commencement of blasting works, we work with our customer to arrange for trials to assess the time and resources

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needed for placement of all the required protective measures. The explosives supervisor and the escorting security guard of the Mines Division or a registered resident explosives supervisor will remain on site to check that all the explosives and blasting accessories delivered are either consumed, destroyed, stored in a site magazine or returned to a Government Explosives Depot for temporary storage.

Variation orders

Our customer may, in the course of project execution, place additional orders concerning variation to part of the works that are necessary for completion of the project. Such orders are commonly referred to as variation orders. Variation orders may include (i) additions, omissions, substitutions, alterations, changes in quality, form, character, kind, position or dimension; (ii) changes to any sequence, method or timing of construction specified in the original contract; and (iii) changes to the site or entrance to and exit from the site. We will discuss with our customer to mutually agree on the sum of variation orders which may be added to or deducted from the contract sum mainly with respect to rate of works as set out in the original contract. We are usually notified of a variation order by way of a letter from our customer setting out the detailed works to be carried out as a result of such variation order. We will then obtain quotation from our subcontractors and prepare and submit the rate for such variation order to our customer for approval. The principal terms and settlement of variation orders are generally in line with the terms of the original contract.

Monitoring and quality inspection

Our executive Directors, with the assistance of our project team, monitor work progress, project performance, risks in delaying the construction programme, comments from our customer and follow-up matters for the project. In addition, we hold progress meeting with our customer throughout the project to keep our customers informed of our projects status and any major issues identified during project execution.

Our project manager is responsible for overall supervision of overall workforce on site to monitor the quality and ensure the projects are executed in accordance with our quality standards. Our superintendent is required to prepare site daily records on the works performed by our workers or subcontractors (if any). Such site daily records are passed to our project manager for review. Our superintendent also assists our project manager and construction manager to monitor work progress and coordinate with our foreman to supervise workmanship and quality. Our work progress is also inspected by our quantity surveyor before we prepare payment applications to our customer.

Customer inspection and application for progress payment

In addition to our quality inspection as described above, our customers or their representatives also inspect our works done from time to time in order to monitor our work quality and confirm completion of the relevant works done before our interim payment applications are certified. Upon completion of such inspection, our customer may issue a report specifying defects that need to be rectified by us (if any).

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We are entitled to receive progress payments from our customers. Our application for progress payments is normally made on a monthly basis. Based on the works performed by us in the preceding month, we submit to our customers interim payment applications which generally include details of completed works, the actual quantities of our work done, variation orders (if any) and the cost of the materials delivered on a monthly basis. The amount to be received by us from some customers (who are also our suppliers of certain construction materials, explosives (if required) and other supplies) is netted off by any contra-charge paid by our customers on our behalf, details of the contra-charge arrangement are set out in the paragraph headed “Suppliers – Contra-charge arrangement with our customer which is also our supplier” in this section. Once our customer approves our payment application, a payment certificate will be issued to us. Our customer will usually retain up to 10% of each interim payment and up to a maximum limit of 2.5% to 5% of the contract sum as retention money. In general, 50% of the retention money is released to us upon completion of a project and the remaining 50% will be released to us upon expiration of the defects liability period of a project.

Project completion

Once we have completed the entire project to the satisfaction of our customer, our customer will issue a practical completion certificate or confirm practical completion in writing for the project certifying the contract works have been completed, tested and approved. In some projects, less formal procedures will take place where the parties agree on practical completion by exchange of correspondence. A contract is normally regarded as practically completed when (i) the works under the contract have been duly completed as verified by our customer after inspection; (ii) there is no apparent defect; and (iii) maintenance or defects liability period commences. Our Directors confirm that it generally takes approximately six months for us to reach an agreement on the final account with our customers taking into account the value of our work done (including variation orders (if any)) and the retention payables. We normally receive final payment and 50% of the retention money from our customers after the said final account is agreed.

In respect of our projects completed during the three years ended 31 March 2016 where the amount of revenue recognised were lower than the original contract sum, such differences amounted to an aggregate of HK\$10.8 million, HK\$0.5 million and HK\$14.3 million respectively. In respect of our projects completed during the same periods, where the amount of revenue recognised were higher than the original contract sum, such differences amounted to an aggregate of approximately HK\$38.7 million, nil and HK\$0.2 million respectively.

Our Directors confirm that in respect of the projects with the original contract sum higher than the amount of revenue recognised, we did not have any material dispute between the customers and our Group during the Track Record Period. The original contract sum was higher than the amount of revenue recognised up to the Track Record Period because:

- certain changed of the scope of works were initiated by our customers which were beyond our control. Such changes reduced the scope and quantity of work done and hence the amount of our actual work done is lower than expected; and/or

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- the actual amount of our work done is lower than initially envisaged by the customers due to re-measurement. Some of our contracts are re-measurement contracts pursuant to which our customers carry out re-measurement of our work done prior to our submission of monthly interim payment application based on the actual quantity of works completed by us and certified by the customers according to the schedule of rates under the contract. The difference represents the difference between the final quantity of work done and the estimated work quantity initially estimated by the customers.

Our Directors consider that it is not uncommon in the construction industry for a construction contract to have the initial contract sum (represented by the estimated value of works) greater than the revenue recognised (represented by the actual amount of works done) due to the above factors.

Defects liability period

Our customers normally require a defects liability period, during which we are responsible for rectifying defects or imperfections in relation to our works done which are discovered after completion. The defects liability period typically last for 12 months after completion. Upon expiration of the defects liability period, the remaining 50% of the retention money will be released to us by our customers.

CUSTOMERS

Characteristics of our customers

During the Track Record Period, our customers primarily include main contractors of various types of infrastructural, commercial and residential building projects in Hong Kong. For information regarding our customers in respect of each of our projects undertaken during the Track Record Period, please refer to the paragraph headed “Our projects” in this section.

Major customers

For the three years ended 31 March 2016, the percentage of our total revenue attributable to our largest customer amounted to approximately 62.0%, 99.3% and 39.1%, respectively, while the percentage of our total revenue attributable to our five largest customers combined amounted to approximately 100.0%, 100.0% and 96.2%, respectively.

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Set out below is a breakdown of our revenue by our five largest customers during the Track Record Period and their respective background information:

For the year ended 31 March 2014:

Rank	Customer	Principal business activities	Type of works undertaken by us	Year(s) of business relationship	Typical credit terms	Payment method	Revenue derived from the customer	
							HK\$'000	%
1.	Customer A	A construction contractor, the shares of which are listed on the Tokyo Stock Exchange, Japan. The principal activities of Customer A include, among others, contracting for civil engineering, building, equipment and machinery and other general construction work.	Site formation works by surface drill and blast method	5	Within 45 days from the submission of payment application	By cheque	52,022	62.0
2.	China State Construction	A subsidiary of China State Construction International Holdings Limited (stock code: 3311), the shares of which are listed on the Main Board of the Stock Exchange and the principal activities of which mainly include building construction and civil engineering operations.	Tunnel excavation works by drill and blast method	3	Within 21 days from the issue of payment certificate	By cheque	27,745	33.0
3.	New Concepts Foundation Limited	A subsidiary of New Concepts Holdings Limited (stock code: 2221), the shares of which are listed on the Main Board of the Stock Exchange, the principal activities of such subsidiary include foundation and civil engineering works.	Site formation, ELS works and pile cap works	4	Within 45 days from the submission of payment application	By cheque	4,180	5.0
Total revenue:							83,947	100.0

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For the year ended 31 March 2015:

Rank	Customer	Principal business activities	Type of works undertaken by us	Year(s) of business relationship	Typical credit terms	Payment method	Revenue derived from the customer	
							HK\$'000	%
1.	China State Construction	A subsidiary of China State Construction International Holdings Limited (stock code: 3311), the shares of which are listed on the Main Board of the Stock Exchange and the principal activities of which mainly include building construction and civil engineering operations.	Site formation works, tunnel excavation works by drill and blast method and other ancillary works	3	Within 21 days from the issue of payment certificate	By cheque	138,450	99.3
2.	Customer C	A construction contractor based in Hong Kong.	ELS and pile cap works	2	Within 30 days from the issue of payment certificate	By cheque	440	0.3
3.	Ming Shing Construction Engineering Co., Ltd.	A construction contractor based in Hong Kong.	Site formation, foundation and road and drainage works	1	Within 14 days upon receipt of the corresponding payment from main contractor	By cheque	397	0.3
4.	New Concepts Foundation Limited	A subsidiary of New Concepts Holdings Limited (stock code: 2221) the shares of which are listed on the Main Board of the Stock Exchange. The principal activities of such subsidiary include foundation and civil engineering works.	Site formation and ELS works	4	Within 45 days from the submission of payment application	By cheque	80	0.1
Total revenue:							139,367	100.0

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For the year ended 31 March 2016:

Rank	Customer	Principal business activities	Type of works undertaken by us	Year(s) of business relationship	Typical credit terms	Payment method	Revenue derived from the customer	
							HK\$'000	%
1.	New Concepts Foundation Limited	A subsidiary of New Concepts Holdings Limited (stock code: 2221) the shares of which are listed on the Main Board of the Stock Exchange. The principal activities of such subsidiary include foundation and civil engineering works.	Site formation and ELS works	4	Within 45 days from the submission of payment application	By cheque	82,228	39.1
2.	China State Construction	A subsidiary of China State Construction International Holdings Limited (stock code: 3311), the shares of which are listed on the Main Board of the Stock Exchange and the principal activities of which mainly include building construction and civil engineering operations.	Site formation works, tunnel excavation works by drill and break method and drill and blast method and other ancillary works	3	Within 21 days from the issue of payment certificate	By cheque	70,328	33.5
3.	Ming Shing Construction Engineering Co., Ltd.	A construction contractor based in Hong Kong.	Site formation, foundation and road and drainage works	1	Within 14 days upon receipt of the corresponding payment from main contractor	By cheque	39,007	18.6
4.	Kat Yue Construction Engineering Limited	A construction contractor based in Hong Kong.	Other ancillary works	1	Within 14 days from the submission of payment application	By cheque	5,707	2.7
5.	Customer D	A construction contractor based in Hong Kong.	Site formation and ELS works	1	Within 30 days from the submission of payment application	By cheque	4,743	2.3
Five largest customers combined:							202,013	96.2
Other customers:							8,033	3.8
Total revenue:							210,046	100.0

None of our Directors, their close associates, or any Shareholders who or which, to the knowledge of our Directors, owned more than 5% of the issued Shares of our Company as at the Latest Practicable Date had any interest in any of the five largest customers of our Group during the Track Record Period.

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Customer concentration

For the three years ended 31 March 2016, the percentage of our total revenue attributable to our five largest customers combined amounted to approximately 100.0%, 100.0% and 96.2% respectively. The percentage of our total revenue attributable to our largest customer amounted to approximately 62.0%, 99.3% and 39.1% respectively for the same periods. According to the Euromonitor Report, it is common for construction contractors to rely on a few customers and such customer concentration is not uncommon for construction companies in Hong Kong.

Our relationship with China State Construction

For the three years ended 31 March 2016, revenue from China State Construction amounted to approximately HK\$27.7 million, HK\$138.5 million and HK\$70.3 million, representing approximately 33.0%, 99.3% and 33.5% of our total revenue for the corresponding periods, respectively. The revenue attributable to China State Construction decreased to 33.5% of our total revenue for the year ended 31 March 2016.

Background of China State Construction

China State Construction is a subsidiary of a company whose shares are listed on the Main Board of the Stock Exchange since July 2005. China State Construction is one of the key main contractors in the construction industry in Hong Kong.

Business relationship with China State Construction

We have three years' business relationship with China State Construction. We started to provide tunnel excavation works to China State Construction as a subcontractor in 2013. During the Track Record Period, we had undertaken seven contracts with China State Construction, two of which have a contract sum of over HK\$100 million. Since China State Construction is one of the key players in the construction industry in Hong Kong, our Directors believe that our relationship with China State Construction will enhance our project references through building a positive reputation in the industry.

For the year ended 31 March 2015, our revenue attributable to China State Construction amounted to 99.3% of our total revenue. This was mainly due to the fact that we mainly served China State Construction in that year for a project relating to the tunnel excavation works by drill and blast method for a link road relating to Hong Kong-Zhuhai-Macao Bridge with a contract sum of HK\$175.9 million. This initial duration of this project was 28 months commencing from August 2013 and ending on November 2015 according to the terms of the contract between China State Construction and our Group. As we proceeded to execution stage of the project, we were requested by China State Construction to speed up the project progress and complete the project earlier than scheduled. As a result, we allocated more manpower resources and machinery to accommodate the requirements of China State Construction and managed to substantially complete the project in March 2015 i.e. eight months ahead of the initial scheduled completion date. Our Directors consider that it is not uncommon in the construction industry for a single project to have a large contract sum such that a sizeable project can contribute

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to a substantial amount of our revenue in a financial year. Therefore, as we decided to undertake with China State Construction to expedite the completion of the tunnel excavation project with a sizeable scale, China State Construction could easily become our largest customer in terms of revenue contribution for the year ended 31 March 2015.

Contractual arrangement with China State Construction

Consistent with our arrangements with other customers, we entered into construction contracts with China State Construction on a project-by-project basis. Under our agreement with China State Construction, it generally contains material terms including (i) interim payment terms which require China State Construction to pay us on a monthly basis with a credit term of up to 21 days from the issue of payment certificate for the interim and final payments. China State Construction is generally entitled to retain 10% of each interim payment and up to a maximum limit of 5% of the total contract sum as retention money; (ii) supervision and human resources arrangement under which China State Construction, as a main contractor, would arrange personnel responsible for project management and supervision, whereas our Group would engage other subcontractors to carry out the works if necessary; (iii) contra-charge arrangement under which China State Construction will procure materials such as explosives, cement, steel reinforcements and shotcrete on our behalf, details of which are set out in the paragraph headed “Suppliers – Contra-charge arrangement with our customer which is also our supplier” in this section; (iv) maintenance of employees’ compensation insurance and contractor’s all risks insurance by China State Construction; and (v) defects liability period of 12 months.

Sustainability of our business

Our Directors consider that the substantial revenue contribution from China State Construction to us and our customer concentration during the Track Record Period is not extreme and will not affect our business prospects and sustainability of our business based on the following factors:

We are able to undertake site formation projects with different customers to reduce the level of customer concentration

We have been providing site formation services as a subcontractor in Hong Kong for over 14 years. Our Directors believe that our established operating history with a wide range of project references allows us to consolidate our reputation and secure projects from different main contractors. According to the Euromonitor Report, we held a 7.2% market share among site formation and clearance works subcontractors in 2015. Over the years, we believe we have earned a good reputation in the site formation industry, established a stable relationship and possessed a broad range of site formation machinery which enables us to perform site formation works of different scale and complexity. Furthermore, we consider that we differentiate ourselves with other competitors through our expertise in rock breaking and blasting. According to Euromonitor Report, there is only a dozen of players which are equipped with the financial resources and manpower expertise to carry out such site formation works and our Group is one of them. For details of our competitive strengths, please refer to the paragraph headed “Competitive strengths” in this section.

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Leveraging our established track record and other competitive strengths mentioned above, if any of our major customers reduces the number of contracts placed with us or terminates its business relationship with us, we believe we would be able to avail ourselves of our spare operational resources to serve other existing customers and new customers in a timely manner. For instance, in view of the completion of the project with China State Construction relating to the tunnel excavation works by drill and blast method for a link road relating to Hong Kong-Zhuhai-Macao Bridge in March 2015, we deployed our resources to commence works for three new contracts with customers comprising New Concepts Foundation Limited, Ming Shing Construction Engineering Co., Ltd., and Customer C with an aggregate awarded contract value of over HK\$110 million in the first quarter of 2015 and we further commenced works for another three new contracts with customers comprising New Concepts Foundation Limited, Kat Yue Construction Engineering Limited and Customer D with an aggregate awarded contract value of over HK\$105 million in the second quarter and third quarter of 2015.

Furthermore, given that our site formation projects are non-recurring in nature, we enter into contract with our customers on project-by-project basis and there is no contractual term prohibiting us from developing business relationship with new customers. Therefore, we can freely undertake site formation projects with new customers and expand our customer base, subject to availability of our site formation machinery and manpower resources on hand. Our Group has been keen to nurture business relationship with new customers and diversify our customer base. Details of our efforts to diversify our customer base are set out in the paragraph below.

We will continue to diversify our customer base and our Directors believe that the extent of customer concentration is likely to decrease in the future

We identify and take on new customers from time to time and have no intention to limit ourselves to serving only China State Construction. Apart from China State Construction, we also serve Customer A, a contractor listed in Japan which also participate in the construction industry in Hong Kong. Customer A was our largest customer for the year ended 31 March 2014. Revenue attributable to Customer A amounted to approximately HK\$52.0 million, representing approximately 62.0% of our total revenue for the year ended 31 March 2014. Furthermore, for the year ended 31 March 2016, our largest customer was New Concepts Foundation Limited, a key construction contractor in Hong Kong. Revenue attributable to New Concepts Foundation Limited amounted to approximately HK\$82.2 million, representing approximately 39.1% of our total revenue for the year ended 31 March 2016. This demonstrates that our Group also places equal emphasis on other main contractor customers instead of confining ourselves to a single customer.

With our effort to diversify our customer base, the revenue generated from our customers other than China State Construction had increased from approximately HK\$0.9 million for the year ended 31 March 2015 to HK\$139.7 million for the year ended 31 March 2016, which respectively represented approximately 0.7% and 66.5% of our revenue during the respective period. For the same periods, the percentage of our Group's total revenue attributable to China State Construction had decreased from approximately 99.3% for the year ended 31 March 2015 to approximately 33.5% for the year ended 31 March 2016. This was partly due to (i) completion of a contract with China State Construction relating to the

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tunnel excavation works by drill and blast method for a link road relating to Hong Kong-Zhuhai-Macao Bridge with a contract sum of approximately HK\$175.9 million in March 2015; and (ii) our considerable effort to diversify our customer base and commence works for six site formation projects with an aggregate contract sum of over HK\$120 million with six different customers other than China State Construction for the year ended 31 March 2016.

Furthermore, our Group has sought to expand our site formation services to new customers. Subsequent to the Track Record Period and up to the Latest Practicable Date, we have sought to diversify our customer base by entering into three contracts with an aggregate contract sum of approximately HK\$89.0 million with three new customers, namely Customer H, Customer I and Customer J which are construction contractors based in Hong Kong. For details of such contracts, please refer to the paragraph headed “Our projects – Our project backlog – Projects on hand” of this section.

Our targeted customer base is limited to a few reputable main contractors which dominate the large-scale site formation works sector

As a major subcontractor which offers comprehensive site formation solutions, we target undertaking large-scale site formation projects within the public sector. Our target customer base is limited to a few reputable main contractors which dominate the large-scale site formation works sector due to the following reasons: (a) Based on the Euromonitor Report, the number of players that have the ability to undertake a large number of projects and large scale contracts for public infrastructure projects are limited. As of the Latest Practicable Date, there were 19 approved contractor included in the List of Approved Contractors for Public Works maintained by the Development Bureau of the Government under the category of “Site Formation” (Group C) with confirmed status^(Note). Our Directors consider that only less than 10 main contractors on such list are active in large-scale site formation works that our Group targets for. Nevertheless, among the 10 main contractors that actively involved in large-scale site formation works, our Group received 6, 16 and 41 tender invitation from seven of these main contractors during the Track Record Period. (b) Further, according to Euromonitor Report, although the top five players accounted for approximately 26.4% of the main contractors’ site formation market share in 2015, site formation subcontractors tend to rely on only a few major main contractors with whom they have formed long standing relationships. Likewise, main contractors would also tend to work with their preferred subcontractors, in relation to their past working relationships and the subcontractors’ capabilities for specific projects. On the basis of the above, our Directors are of the view that it is an industry norm for a site formation subcontractor (like our Group) to have a customer base relatively concentrated to a few major main contractors in Hong Kong.

Note: The “List of Approved Contractors for Public Works” under the category of “Site Formation” (Group C) with confirmed status refers to the approved contractors for public works as kept by the Development Bureau under the site formation category for which they are normally eligible to tender for contracts of any value exceeding HK\$185 million. As an approved site formation contractor (Group C), the contractor is required to meet the minimum financial criteria and other requirements as follows: (a) the contractor shall have a minimum employed capital of HK\$18.8 million plus HK\$2.0 million for every HK\$100.0 million of annualised outstanding works or part thereof above HK\$950.0 million; (b) minimum working capital of HK\$18.8 million or 8% on the first \$950.0 million of annualised outstanding works and 10% on remainder, whichever is higher; (c) minimum technical and management criteria/other requirements includes: (i) satisfactory completion as the main contractor of one Government or non-Government site formation works contract executed in Hong

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Kong within the past 5 years, after inclusion to Group C on probation, of value over 70% of probationary limit of Group C; (ii) at least one member of the resident top management shall have a minimum of five years local experience in managing a construction firm obtained in the past eight years; and (iii) at least two persons with a relevant degree from a Hong Kong university or equivalent with at least five years post-graduate local working experience in the site formation works.

We have a mutual and complementary business relationship with our customers

We consider that it is mutually beneficial and complementary for both our major customers and us to maintain a close and stable business relationship with each other for the following reasons: (a) Our Directors believe that our major customers could benefit from our proven track record as a quality subcontractor in handling site formation projects to ensure their projects are executed on time, within budget and in accordance with their quality standards. (b) Our Directors believe that both our major customers (as main contractor) and our Group have developed, to a certain extent, a mutually beneficial relationship. As supported by the Euromonitor Report, we have established stable relationships with main contractors by regularly supporting main contractors in the tender bidding process. Main contractors are able to leverage our Group's strong capabilities in specialised site formation works to strengthen their tender proposition. This relationship allows our Group to enjoy a steady stream of site formation projects, particularly in large public infrastructure and residential projects.

Our Directors believe that we are capable of maintaining our revenue growth

Recently, a slowdown was shown in Hong Kong's site formation market. Such slowdown can be attributed to the following:

- slower progress of funding approval for infrastructure projects: Since May 2014, the commencement of infrastructure projects has been delayed due to slow progress in the funding approval of the Finance Committee and its Public Works Subcommittee; and
- the recent residential property market slump: The slowdown in the property market which started in mid-2015 created an over-supply of private residential housing and developers have reduced the number of new construction projects being launched.

The outlook for the site formation industry is expected to be subdued during the forecast period. Industry revenue receipts accrued by site formation and clearance works subcontractors in Hong Kong are expected to grow by a CAGR of 9.2%, significantly lower than historical growth. However, despite this recent downturn, our Directors believe that we would be able to maintain a stable revenue growth in view of the following growth drivers, details of which are set out in the section headed "Industry Overview – Growth drivers and opportunities to the site formation industry in Hong Kong" in this prospectus:

- According to the Euromonitor Report, growth in site formation industry is expected to be moderate and will pick up in 2017 in view of the commencement of mega public infrastructure projects such as the Tseung Kwan O-Lam Tin

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Tunnel project and Central Kowloon Route which our Group is planning to tender for, subject to availability of our site formation machinery and manpower resources.

- The Government's support on cavern development for producing more land to support Hong Kong's social and economic development is expected to drive up the demand for rock-related site formation service that our Group has the strong expertise for. In the Government's 2016 Policy Address, it was announced that the Government was about to complete the territory-wide Cavern Master Plan. Feasibility studies on the relocation of three sewage treatment works and service reservoirs to caverns are expected to be completed by early 2017. On the Government's official cavern development website, it is estimated that about two-thirds of the land area of Hong Kong is suitable for rock cavern development. This could provide some 3,500 hectare of developable land, on the conservative assumption that 5% of this area could be made available for rock cavern development. There are tremendous opportunities for the site formation industry, especially in terms of rocks-related site formation services. We plan to bid for these site formation projects arising from cavern development, subject to availability of our site formation machinery and manpower resources.
- The Government adopts long-term planning for infrastructure projects and will continue to invest in worthwhile infrastructure projects, including housing sites in Yuen Long South, developing New Territories North, Lantau-Tung Chung New Town Extension and Tseung Kwan O-Lam Tin Tunnel project and Central Kowloon Route. The Government invited tenders for the contract for the Tseung Kwan O-Lam Tin Tunnel main tunnel and associated works in August 2015, with construction works being scheduled to commence in phases from July 2016 for completion in 2021. We intend to bid for site formation projects arising from the above business opportunities, subject to availability of our site formation machinery and manpower resources.
- We have experienced a strong demand for our site formation services as evidenced by increasing number of tender invitations received, increasing number of tenders won and maintain a consistently strong tender success rate. Please refer to the paragraphs headed "Operation Flow – Project identification and invitation by tender", "Operation Flow – Tender analysis and preparation of tenders" and "Operation Flow – Our tender success rate" of this section for further details.
- As at the Latest Practicable Date, we had seven contracts on hand (including contracts in progress as well as projects that have been awarded to us but not yet commenced). These contracts are expected to contribute approximately HK\$242.0 million^(Note) to our revenue for the year ending 31 March 2017. Out of the seven contracts on hand, six contracts have been entered into between our Group and

Note: The amount of HK\$242.0 million expected to be recognised as revenue for the year ending 31 March 2017 represents the aggregate outstanding contract sum (which refers to the aggregate amount of the original contract sum after deduction of the aggregate amount of revenue recognised during the Track Record Period up to the Latest Practicable Date) of our seven projects on hand and may not take into account variation orders (including additions, reductions, modifications and/or other changes in scope of works due to subsequent variation orders) placed by our customers from time to time during the course of project execution. As such, there is no assurance that the actual amount of revenue to be recognised from our projects on hand will not be substantially different from such estimated figure.

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the customers other than China State Construction. Such contracts are expected to contribute approximately HK\$178.6 million, representing approximately 73.8% of our revenue to be recognised for the year ending 31 March 2017.

On the basis of the above, despite the recent market slowdown in site formation industry, our Directors believe that there are plenty of market opportunities for site formation services, especially rock-related site formation services, available for our Group to further develop our customer base in the long run and reduce the extent of customer concentration.

We plan to expand our scale of operation

Our Directors consider that the customer concentration is in part due to the fact that we are approaching our maximum service capacity. The number of site formation projects we are able to undertake hinges on the availability of our site formation machinery and manpower resources. For a site formation project of larger scale and higher complexity, possession of sufficient machinery and equipment is critical to our project execution and maintaining our works quality. We have kept a log book to record the usage of the machinery and equipment in all projects. During the Track Record Period, our machinery and equipment were substantially deployed to different construction sites for our projects. For illustrative purpose, for the three years ended 31 March 2016, the average number of units of machinery and equipment put to use by our Group on a weekly basis (i.e. the aggregate number of machinery and equipment put in use for all projects for each week during the year divided by 52 weeks) were approximately 31, 49 and 67 and approximately 56.1%, 89.4% and 14.1% of the total average units of machinery and equipment, were put to use for our largest project (in terms of the amount of revenue recognised in the respective financial year). The relatively low level of usage of machinery and equipment for the largest project during the year ended 31 March 2016 was due to (i) the fact that the commencement of such project was in August 2015 and (ii) the additions of 18 new machinery and equipment during the year ended 31 March 2016. However, taken into account the three largest projects in terms of the amount of revenue recognised for the year ended 31 March 2016, these three largest projects already used up approximately 63.4% of the total average units of machinery and equipment in that year. Although our Group is approaching its maximum service capacity, our work has been increasingly recognised by the potential customers and the industry and the number of tender invitation received from our potential customers has increased throughout the Track Record Period, from 17 for the year ended 31 March 2014 to 41 for the year ended 31 March 2015 and further increased to 82 for the year ended 31 March 2016. Due to the limit on the number of our machinery and equipment on hand, we could be restricted to undertaking a limited number of site formation projects of larger scale and higher complexity if the number of machinery and equipment does not catch up with our business growth. Therefore, historically, we were inclined to undertake projects for a few customers, hence giving rise to the customer concentration during the Track Record Period. If we are able to expand our fleet of site formation machinery and equipment and further strengthen our manpower resources, we will be in a better position to expand our service capacity to undertake more projects for different customers, which may help our

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Group to have a more diversified customer base. As set out in the paragraph headed “Business strategies” of this section, we intend to use approximately HK\$47.2 million from the net proceeds from the Share Offer to purchase machinery and equipment for our projects and approximately HK\$14.8 million from the net proceeds to recruit additional staff members to enable our Group to compete for more site formation projects and capture further business opportunities. Please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus for further details. The above also explains the primary reason for our Company to seek a Listing on the Stock Exchange.

Marketing activities

During the Track Record Period, we secured new businesses mainly through tender by invitation. Our Directors consider that due to our proven track record and our well-established relationship with our existing customers, we are able to leverage our existing customer base, reputation and our years of experience in site formation projects such that we do not rely heavily on marketing and promotional activities. We do not maintain a specialised team of sales and marketing staff. Our executive Directors are generally responsible for liaising and maintaining our relationship with customers and keeping abreast of market developments and potential business opportunities. Moreover, we believe that the Listing will be a breakthrough in promoting our Group to the construction industry as well as the general public and hence, further enhancing our brand and future business development.

Pricing strategy

Our pricing is determined based on a cost-plus pricing model in general with markup determined on a project-by-project basis. We estimate our cost of undertaking a project with reference to the following factors:

- the estimated number and types of workers required;
- the difficulties and methodology of the project;
- the estimated number and types of machines required;
- the availability of our manpower and resources and any further subcontracting is expected to be necessary;
- the completion time requested by customers; and
- the prevailing market conditions in general.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any loss-making projects as a result of material inaccurate estimation or cost overruns.

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Major terms of engagement with our customers

Our customers engage us on a project basis and our customers do not enter into long-term agreements with us. The following summarises the major terms of engagement with our customers:

- Contract period* : The period within which the project has to be completed commencing from the date when we are allowed to commence work at the works site. The contract period varies depending on the project size and complexity. However, such period may be extended pursuant to the terms of the relevant contract.
- Scope of works* : This term identifies the types and scope of the work in detail which we are engaged to perform under the contracts, for details please refer to paragraph headed “Our Services” in this section.
- Bills of quantities or schedule of rates* : Most of our contracts would include the bills of quantities or schedule of rates which generally contain the description of the types of work, specifications, quantities of works to be done and the unit rates for each type of works under the project.
- Payment terms* : For interim or progress payment, we generally provide our customers with a written statement of the details of completed works, the estimated fee of our work done along with any variation orders (if any) and the costs of the materials delivered under the contract on a monthly basis. In respect of final payment, we usually issue final account showing the amount we are entitled to for our customers’ approval. For details, please refer to the paragraphs headed “Operation flow – Customer inspection and application for progress payment” and “Operation Flow – Project completion” in this section.
- Retention money* : Our customers may hold up a certain percentage of each interim payment made to us as retention money. Such percentage is generally 5% or 10%, subject to a ceiling up to 2.5% or 5% of the total contract sum of projects. Retention money withheld are normally released to us after the receipt of completion certificate and/or the expiry of the defect liability period.

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As at 31 March 2014, 2015 and 2016, our retention monies receivables amounted to approximately HK\$7.1 million, HK\$9.6 million and HK\$22.4 million, respectively. Please refer to the section headed “Financial Information – Analysis of Various Items from the Statements of Financial Position – Trade and other receivables” in this prospectus for a further discussion and analysis regarding our trade and other receivables.

Security of due performance : When we are engaged in large-scale projects, our customers may require our directors and/or shareholders to provide personal guarantee or, alternatively, arrange with banks to provide surety bonds in the amount of certain percentage, usually 10%, of the awarded contract sum to them to ensure our due performance and observance of a subcontract. According to the Euromonitor Report, it is not uncommon for certain main contractors to require the directors and/or shareholders of subcontractors to provide personal guarantee in the subcontracts as security for our Group’s due performance and observance of the subcontract.

During the Track Record Period and up to the Latest Practicable Date, there were two contracts awarded by China State Construction in an aggregate contract sum of HK\$303.2 million which involved performance guarantees provided by Mr. Tang and Mr. Kwok, our executive Directors and Controlling Shareholders, in favour of China State Construction. Each of Mr. Tang and Mr. Kwok agreed to provide a personal guarantee as security for the due performance and observance of our Group’s obligations under the contracts up to 5% of the contract sum for any loss or and damage suffered by the customer as a result of our Group’s default under the contract. As at the Latest Practicable Date, among those two contracts, (i) one contract was completed and the personal guarantees given by Mr. Tang and Mr. Kwok in respect of such contract were released; (ii) one contract is still in progress and the relevant personal guarantees remain outstanding. Please refer to the section headed “Relationship with the Controlling Shareholders – Financial independence” in this prospectus for details of the performance guarantees given by our Controlling Shareholders.

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Liquidated damages : A contract may contain clauses on liquidated damages to protect our customers against any significant delay in completion of works subcontracted to us. However, under certain circumstances such as poor weather conditions or issue of variation orders, our customers may grant us extension of time without a need to pay liquidated damages to our customers. During the Track Record Period and up to the Latest Practicable Date, no liquidated damages had been claimed by our customers against us by reason of late completion of any of the contracts undertaken by us.

Indemnities : For most of our contracts, we are required to indemnify our customers against (a) all losses, liabilities, claims, damages, costs, charges and expenses which may arise out of or in connection with any breach of the subcontract, negligence, non-compliance of any laws and regulations, omission on the part of our Group, our employees, our subcontractors, our subcontractors' employees or any persons in connection with us or (b) any loss, liabilities, claims, damages, costs, charges and expenses resulting from any bodily injuries, death or occupational diseases of our employees, our subcontractors, our subcontractors' employees or any persons in connection with us (to the extent that is not covered by insurance). Our Directors confirm that we had not experienced any material claims by our customers during the Track Record Period and up to the Latest Practicable Date.

Termination : If, in the opinion of our customers, we fail to execute the works in accordance with our customers' requirements and our works are unsatisfactory or likely to be so and cause undue delay to the overall progress of the project, our customer may terminate our contract by giving advance notice of intention to do so.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any early termination of contracts by our customers.

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Defects liability period : We are generally subject to a defects liability period and we are responsible for rectifying all defective works, if any, at our own expense during such period. The defects liability period, which is normally 12 months depending on the nature and scale of the project, commences upon the date of practical completion of the contract. Likewise, we would require a similar maintenance period from our subcontractors.

If any defects or imperfections are identified, we will undertake rectification works so that the defects can be remedied as soon as practicable. We will then arrange our site workers to execute the rectification works at our own costs or, where applicable, require the relevant subcontractor to rectify the defects and/or bear the rectification costs.

During the Track Record Period, we did not experience any material claim by our customers arising from defective works.

Credit management and collection of our trade receivables and retention monies receivables

Our Group does not have a standardised and universal credit period granted to our customers, and the credit period of individual customer is considered on a case-by-case basis. The typical credit terms stipulated in the contracts during the Track Record Period were 21 days from the issue of payment certificate and 45 days from the submission of our payment application. Our accounts receivable is normally settled by cheque in Hong Kong dollars. We determine specific provision for doubtful debts relating to accounts receivable on a case-by-case basis and provision is made when there is objective evidence that our Group will not be able to collect part or all of the outstanding debts. We did not make any provision for doubtful debts relating to accounts receivable during the Track Record Period.

As at 31 March 2014, 2015 and 2016, we recorded trade receivables of approximately HK\$4.8 million, HK\$0.6 million and HK\$6.8 million, respectively, of which nil, nil and approximately HK\$4,000, respectively had been past due but not impaired. For the three years ended 31 March 2016, our debtors' turnover days were approximately 10.6 days, 7.2 days and 6.4 days, respectively. In addition, we had concentration of credit risk of approximately 41%, 45% and 58% of our total trade receivables as at 31 March 2014, 2015 and 2016, respectively were, due from our largest customers, and approximately 100%, 100% and 59% from our five largest customers.

In order to mitigate our risk in relation to the collectability of our trade receivables and retention monies receivables, we have implemented the following measures:

- Before deciding whether to submit a tender proposal, we normally consider factors such as the creditworthiness of the relevant customers and the key project terms in relation to the project's execution. Customer acceptance procedures are

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performed on our customers, including but not limited to (i) checking our internal record regarding the payment history of the existing customer; and (ii) for sizeable projects, depending on the situation and conducting appropriate searches to ascertain the potential customer's credibility.

- We closely monitor the payments from our customers pursuant to the terms of each respective project. Regular meetings are held among our executive Directors, project teams and finance department to review the aging status of our accounts receivable. Material overdue payments are monitored continuously and evaluated on a case-by-case basis and appropriate follow-up actions will be taken having regard to the customer's normal payment processing procedures, our business relationship with the customer, past reputation, its financial position as well as the general economic environment.
- Follow-up actions generally include but not limited to issuing payment reminders, actively liaising with customers, and, if necessary, taking legal actions.
- In addition, we review the recoverable amount of each individual receivable balance at the end of each reporting period to ensure adequate impairment losses are provided for irrecoverable amounts.

Please also refer to the section headed "Financial Information – Analysis of Various Items from the Statements of Financial Position – Trade and other receivables" in this prospectus for a further discussion and analysis on our trade receivables and our trade receivables turnover days during the Track Record Period.

Seasonality

Our Directors believe that the industry in which we operate does not exhibit any significant seasonality.

INVENTORIES

We do not maintain any inventories during the Track Record Period as our construction materials are purchased and consumed on a project-by-project basis.

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SUPPLIERS

Characteristics of our suppliers

During the Track Record Period, suppliers of goods and services to our Group mainly include: (i) our subcontractors (ii) suppliers of construction materials such as diesel fuels and explosives for blasting; (iii) machinery and equipment rental service providers; and (iv) suppliers of other parts and consumables and other miscellaneous goods including personal protective equipment used by our on-site workers such as reflective vests and safety helmets.

We generally order the relevant construction materials and services on a project-by-project basis and therefore do not enter into any long-term supply agreements with our suppliers. Our Directors believe that we have maintained good business relationships with our suppliers. We are usually responsible for sourcing construction materials for our projects, and except in the case where we are provided with materials (such as explosives and shotcrete) by our customers pursuant to the contra-charge arrangement, details of which are set out in the paragraph headed “Suppliers – Contra-charge arrangement with our customer which is also our supplier” in this section below, we are able to choose our own suppliers for our projects. As at the Latest Practicable Date, there were approximately 217 suppliers included in our approved list of suppliers. We select our suppliers from our approved list of suppliers based on their prices, quality, past performances and timeliness of delivery. Our suppliers of construction materials normally grant us a credit period of not more than 60 days from the invoice date. For our subcontractors, interim payment on monthly basis is generally adopted which we are obliged to pay not more than 45 days from the receipt of their payment application.

During the Track Record Period, we did not experience any material difficulties or delays in performing our projects caused by material shortage or delay in the supply of goods and services that we required. Our Directors consider that the possibility of a material shortage or delay is low given the abundance of suppliers of the same kind in the market.

The following table sets out a breakdown of our total purchases by type during the Track Record Period:

	For the year ended 31 March					
	2014		2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Subcontracting charges	22,055	42.8	15,037	26.0	109,680	80.3
Material costs	19,912	38.7	32,152	55.7	14,652	10.8
Machinery and equipment rental expenses	4,940	9.6	2,276	3.9	7,258	5.3
Other overhead costs	4,605	8.9	8,288	14.4	4,955	3.6
Total purchases	<u>51,512</u>	<u>100.0</u>	<u>57,753</u>	<u>100.0</u>	<u>136,545</u>	<u>100.0</u>

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Please refer to the section headed “Financial Information – Year-To-Year Comparison of Results of Operations” in this prospectus for a discussion of the fluctuation in our purchases from our suppliers during the Track Record Period as shown in the above table as well as relevant sensitivity analyses in this connection.

During the Track Record Period, our suppliers were located in Hong Kong and all our purchases are denominated in HK dollars.

Prices of supplies

Prices of supplies are determined by reference to quotations of suppliers as agreed between us and the suppliers on an order-by-order basis. Our Directors consider various factors, including but not limited to the future price trend of the materials and services when preparing tender proposals and hence we could generally pass on the increase in costs to our customers. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material fluctuations in the costs of materials and services that had a material impact on our business, financial condition or results of operations.

Major suppliers

For the three years ended 31 March 2016, the percentage of our total purchases incurred from our largest supplier amounted to approximately 17.3%, 29.5% and 28.4% of our total purchases incurred, respectively, while the percentage of our total purchases incurred from our five largest suppliers combined amounted to approximately 60.5%, 71.3% and 72.7% of our total purchases incurred, respectively. During the Track Record Period, our suppliers were located in Hong Kong and our purchases are denominated in HK\$.

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Set out below is a breakdown of our total purchases incurred by our five largest suppliers during the Track Record Period and their respective background information:

For the year ended 31 March 2014:

Rank	Supplier	Principal business activities	Type of goods or services purchased by us from the supplier	Year(s) of business relationship	Credit term	Payment method	Purchases by us from the supplier	
							HK\$'000	%
1	Supplier A	A subcontractor in Hong Kong	Subcontracting of geotechnical works	4	Monthly progress payment with a credit period of 30 days	By cheque	8,929.7	17.3
2	Customer A	A construction contractor which is listed in Japan	Purchase of construction materials such as explosives and parts and consumables (<i>Note</i>)	5	Within 45 days from the submission of payment application	Set off with trade receivables	7,713.6	15.0
3	Supplier B	A subcontractor in Hong Kong	Subcontracting of geotechnical works	2	Monthly progress payment with a credit period of 30 days	By cheque	6,568.3	12.8
4	Supplier C	A subcontractor in Hong Kong	Subcontracting of rock excavation works	2	Monthly progress payment with a credit period of 30 days	By cheque	4,783.9	9.3
5	Supplier D	Diesel fuel supplier based in Hong Kong	Diesel fuel	3	Within 60 days from the issue of invoice	By cheque	3,165.6	6.1
Five largest suppliers combined							31,161.1	60.5
All other suppliers							20,351.7	39.5
Total purchases:							51,512.8	100.0

Note: The purchases of the relevant construction materials are made pursuant to the contra-charge arrangement, details of which are set out in the paragraph headed “Suppliers – Contra-charge arrangement with our customer which is also our supplier” in this section below.

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For the year ended 31 March 2015:

Rank	Supplier	Principal business activities	Type of goods or services purchased by us from the supplier	Year(s) of business relationship	Credit term	Payment method	Purchases by us from the supplier		
							HK\$'000	%	
1.	China State Construction	A construction contractor which is a subsidiary of a company listed in Hong Kong	Purchase of construction materials such as parts and consumables (<i>Note 1</i>)	3	Within 21 days from the issue of payment certificate	Set off with trade receivables	17,053.6	29.5	
2.	Supplier B	A subcontractor in Hong Kong	Subcontracting of geotechnical works	2	Monthly progress payment with a credit period of 30 days	By cheque	15,160.7	26.2	
3.	Supplier E (<i>Note 2</i>)	Diesel fuel supplier based in Hong Kong	Diesel fuel	2	Within 30 days from the issue of invoice	By cheque	4,774.3	8.3	
4.	Supplier F	Parts and consumables and machinery maintenance service provider based in Hong Kong	Parts and consumables and repair and maintenance of machinery	4	Within 30 days from the issue of invoice	By cheque	2,746.0	4.8	
5.	Chun Hung Development Limited ("Chun Hung Development") (<i>Note 3</i>)	Machinery rental service provider based in Hong Kong	Machinery rental	3	Within 30 days from the issue of invoice	By cheque	1,433.2	2.5	
							Five largest suppliers combined	41,167.8	71.3
							All other suppliers	16,585.2	28.7
							Total purchases:	57,753.0	100.0

Notes:

- The purchases of the relevant construction materials are made pursuant to the contra-charge arrangement, details of which are set out in the paragraph headed "Suppliers – Contra-charge arrangement with our customer which is also our supplier" in this section below.
- Supplier E represents a group of entities owned by the same shareholder.
- Chun Hung Development, a company incorporated in Hong Kong, is owned as to 50% by Mr. Tang and 50% by Ms. Choi, our executive Directors and our Controlling Shareholders, and therefore a close associate of Mr. Tang and Ms. Choi. For further details relating to the machinery rental transactions between our Group and Chun Hung Development for the three years ended 31 March 2016, please refer to the paragraph headed "Machinery and equipment" of this section.

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For the year ended 31 March 2016:

Rank	Supplier	Principal business activities	Type of goods or services purchased by us from the supplier	Year(s) of business relationship	Credit term	Payment method	Purchases by us from the supplier		
							HK\$'000	%	
1	New Concepts Foundation Ltd.	A construction contractor which is a subsidiary of a company listed in Hong Kong	Machinery rental, purchase of construction materials and diesel fuel (<i>Note 1</i>)	4	Within 45 days from the issue of payment certificate	Set off with trade receivables	38,809.7	28.4	
2	Ming Shing Construction Engineering Co., Ltd.	A construction contractor based in Hong Kong	Subcontracting of pile cap, base slab and associated work and purchase of construction materials such as steel plate and concrete (<i>Note 1</i>)	2	For subcontracting work, monthly progress payment with a credit period of 45 days; and for purchase of construction materials, within 45 days from the issue of payment certificate	For subcontracting work, by cheque; and for purchase of construction materials, set off with trade receivables	35,383.1	25.9	
3	Supplier E (<i>Note 2</i>)	A subcontractor and diesel fuel supplier based in Hong Kong	Subcontracting of disposal works and purchase of diesel fuel	1	For subcontracting work, monthly progress payment with a credit period of 45 days; and for purchase of diesel fuel, within 30 days from the issue of invoice	By cheque	9,880.2	7.2	
4	Supplier H	A subcontractor in Hong Kong	Subcontracting of pile cap construction works and rock and drainage works	1	Monthly progress payment with a credit period of 30 days	By cheque	7,829.6	5.7	
5	Supplier I	A subcontractor in Hong Kong	Subcontracting of ELS works	1	Monthly progress payment with a credit period of 30 days	By cheque	7,549.2	5.5	
							<u>99,451.8</u>	<u>72.7</u>	
							Five largest suppliers combined	99,451.8	72.7
							All other suppliers	<u>37,092.7</u>	<u>27.3</u>
							Total purchases:	<u>136,544.5</u>	<u>100.0</u>

Notes:

- The purchases of the relevant construction materials are made pursuant to the contra-charge arrangement, details of which are set out in the paragraph headed “Suppliers – Contra-charge arrangement with our customer which is also our supplier” in this section below.
- Supplier E represents a group of entities owned by the same shareholder.

Save for Chun Hung Development, which is owned as to 50% by Mr. Tang and 50% by Ms. Choi, our executive Directors and our Controlling Shareholders, none of our Directors, their close associates, or any Shareholders who to our Directors’ knowledge owned more than 5% of the issued Shares of our Company as at the Latest Practicable Date had any interest in any of the five largest suppliers of our Group during the Track Record Period.

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Contra-charge arrangement with our customer which is also our supplier

According to the Euromonitor Report, it is common in the construction industry that a main contractor may pay on behalf of its subcontractor for certain expenses for a construction project. Such expenses are typically deducted from its payments to that subcontractor in settling its service fees for the project. Such payment arrangement is referred to as the “contra-charge arrangement” and the amounts involved are referred to as the “contra-charge”.

During the Track Record Period, we had contra-charge arrangement with some of our customers. Such contra-charge consisted of purchase cost of materials, payment of salaries of blasting engineer and registered shotfirer seconded to our customers and other miscellaneous expenses. Pursuant to the contra-charge arrangement set out in the contract with our customers, upon our written request, our customer may purchase materials such as explosives, parts and consumables and make payments on our behalf. Such purchase cost is settled by way of contra-charge to the account with such customer. Effectively, the payments due to us from our customer will be settled after netting off such contra-charge amounts. For each of the three years ended 31 March 2016, our contra-charge incurred amounted to HK\$9.3 million, HK\$17.1 million and HK\$53.0 million, respectively, which also represented the contra-charge incurred amounts attributable to our top five customers during the Track Record Period. As we settled such costs by way of contra-charge by netting off with the payments due from our customers, both cash inflows from the project work done and cash outflows from the purchases were reduced by the same amount. Therefore, the contra-charge arrangement had no material effect on the Group’s cashflow positions during the Track Record Period.

The following table sets forth the information on our customers from whom we had contra-charge arrangement during the Track Record Period:

	For the year ended 31 March					
	2014		2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
China State Construction						
Revenue derived and approximate % of total revenue	27,745	33.0	138,450	99.3	70,328	33.5
Contra-charge charged by China State Construction and approximate % of total purchases incurred	91	0.2	17,054	29.5	381	0.3
Ming Shing Construction Engineerings Co., Ltd.						
Revenue derived and approximate % of total revenue	–	–	397	0.3	39,007	18.6

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	For the year ended 31 March					
	2014		2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Contra-charge charged by Ming Shing Construction Engineering Co., Ltd. and approximate % of total purchases incurred	–	–	–	–	13,844	10.1
New Concepts Foundation Limited						
Revenue derived and approximate % of total revenue	4,180	5.0	80	0.1	82,228	39.1
Contra-charge charged by New Concepts Foundation Limited and approximate % of total purchases incurred	1,456	2.8	–	–	38,810	28.4
Customer A						
Revenue derived and approximate % of total revenue	52,022	62.0	–	–	–	–
Contra-charge charged by Customer A and approximate % of total purchases incurred	7,714	15.0	–	–	–	–

Subcontractors

It is a common industry practice for subcontractors to further subcontract part of their works to other subcontractors. Subject to our capacity, types of site formation works, cost effectiveness, complexity of the projects and customers' requirements, we may subcontract our works such as pile cap construction, geotechnical works, ELS works and road and drainage works to other subcontractors in a project. During the Track Record Period, all of our subcontractors were located in Hong Kong and all of our service fees were denominated in HK dollars.

We are accountable to our customers for the works performed in a project, including those carried out by our subcontractors. Unless otherwise specified in the contracts with our customers, our customers generally consent to our use of subcontractor for a project and do not limit which subcontractor to be used by us. According to the agreements we entered into with our subcontractors, we are entitled to hold our subcontractors liable for any damages suffered by our Group.

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For the three years ended 31 March 2016, we incurred subcontracting charges of approximately HK\$22.1 million, HK\$15.0 million and HK\$109.7 million, respectively. Please refer to the section headed “Financial Information – Description of Selected Items from Combined Statements of Profit or Loss and Other Comprehensive Income – Costs of sales” in this prospectus for the relevant sensitivity analysis.

Basis of selection of subcontractors

We carefully evaluate the performance of our subcontractors and select subcontractors based on a range of factors such as their background, technical capability, experience, fee quotations, service quality, track records, labour resources, time schedule to be performed by the subcontractors, reputation and safety performance. Based on these factors, we select and maintain a list of approved subcontractors and such list is updated according to our assessment of their performance on a continuous basis.

Relationships with customer that was also our subcontractor during the Track Record Period

Ming Shing Construction Engineering Co., Ltd. became our customer in 2014 and is one of our five largest customers for the two years ended 31 March 2016. Ming Shing Construction Engineering Co., Ltd. is a construction contractor in Hong Kong and is an independent third party. During the Track Record Period, we provided site formation, foundation and road and drainage works services for a residential development project for Ming Shing Construction Engineering Co., Ltd.. For the three years ended 31 March 2016, our revenue with Ming Shing Construction Engineering Co., Ltd. amounted to approximately nil, HK\$0.4 million and HK\$39.0 million, representing approximately nil, 0.3% and 18.6% of our total revenue for the corresponding periods respectively. During the Track Record Period, we engaged Ming Shing Construction Engineering Co., Ltd. to provide services for construction of pile cap, basement slab and associated works for another project. No subcontracting charges were charged to Ming Shing Construction Engineering Co., Ltd. for the two years ended 31 March 2015. For the year ended 31 March 2016, the subcontracting charges charged to Ming Shing Construction Engineering Co., Ltd. amounted to approximately HK\$21.5 million, representing approximately 15.8% of our total purchases from the suppliers. Whilst we engaged other subcontractors in the same project, the terms of engagement we entered into with other subcontractors were similar to those we entered into with Ming Shing Construction Engineering Co., Ltd..

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Major terms of engagement with our subcontractors

We engage our subcontractors on a project basis and do not enter into long-term agreements with subcontractors. The following summarises the major terms of engagement with our subcontractors:

- Contract period* : The duration of the subcontracting agreement is generally in line with the duration of the main contract between us and our customer.
- Rights and obligations of the subcontractor* : A subcontractor is required to comply with the relevant terms and perform its works in accordance with the specifications under the main contracts on a back-to-back basis.
- Subcontracting fee and payment terms* : The subcontracting fee to be received by the subcontractor is usually represented in a provisional sum, which is subject to re-measurement and valuation according to the schedule of rates included in the subcontract and further subject to any variation orders or additional works to be performed by the subcontractors with our prior consent. In general, we determine the amount of subcontracting charges based on (i) certain percentage of the amount of fees to be received by us from our customers in respect of the portion of works being subcontracted; (ii) the amount of labour resources required from our subcontractors; (iii) the nature of works to be performed by our subcontractors; and (iv) the prevailing market conditions. There is no price adjustment clause in the subcontracts between our Group and our subcontractors.
- Interim payment on monthly basis is generally adopted and we are generally obliged to pay our subcontractors within 45 days upon receipt of their payment application. Therefore, our Directors consider that our payment pattern does not deviate from the SOPL and our payment practice and cash management will not be materially affected by the SOPL if it becomes effective.
- Site utilities* : Water, electricity and lighting is provided by our Group for site operations.

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- Retention monies and defective liability period* : We may hold up a certain percentage, usually 10%, of each interim payment made to the subcontractors and subject to a ceiling of 2.5% or 5% of the total contract sum as retention money. Unless otherwise agreed, the retention monies or such portion thereof shall be held for twelve months after the satisfactory completion of the subcontracting works. Similar to the practices with our customers, we also require a defects liability period of 12 months during which our subcontractors shall be responsible for rectifying works defects arising from works subcontracted to them at its own expenses.
- Termination* : If the subcontractor leaves the work uncompleted, fails to complete the work on the date for completion or, if in our opinion the work is unsatisfactory or likely to be so and causes unduly delay to the overall progress of the main contract, our Group may terminate the subcontracting agreement by giving advance notice of intention to do so.
- Safety* : The subcontractor shall comply with the provision of statutory safety regulations relating to the carrying out of the subcontracting works. The subcontractor shall also indemnify our Group against any expenses, penalties and other losses sustained occasioned as a consequence of the subcontractors' non-compliance with the safety ordinance or regulations.
- Indemnity* : Subcontractors are required to indemnify our Group against any loss, expense or claim arising from the failure to comply with subcontracting agreement by the subcontractor and/or its employees. We are entitled to hold our subcontractors liable for any loss and damage suffered by our Group if their works are not performed in accordance with the requirements set out in the main contract.

Control over subcontractors

We may be liable to our customers for the performance of our subcontractors and we may also be liable to any potential employee compensation claims and personal injuries claims made by our subcontractors' employees arising from work injuries that may happen from time to time. Therefore, we carry out regular assessment of our subcontractors during the course of a project to ensure quality and safety of their works. In order to closely monitor the performance of our subcontractors and to ensure that the subcontractors comply with the contractual requirements and the relevant laws and regulations, we require our subcontractors to follow our internal control measures in relation to quality control, safety and environmental compliance. Our project management personnel resides at the project site

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and conducts regular site inspection to ensure general compliance by our subcontractors in quality, safety and environmental requirements. During project implementation, our project team regularly meets with our subcontractors and closely monitors their work progress and performance as well as their compliance with our safety measures and quality standards. For further information regarding our measures in relation to quality control, safety and environmental compliance, please refer to the paragraphs headed “Quality control”, “Occupational health and safety” and “Environmental protection” in this section.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that there were no material disputes between our Group and our customers with respect to the quality of work performed by us and our subcontractors and we do not have any material dispute or claim with our subcontractors and our suppliers.

MACHINERY AND EQUIPMENT

We rely on the use of machinery and equipment to enable us to carry out site formation works and possess a broad range of machinery and equipment to perform different types of works. Our Directors believe that our investment in machinery and equipment will enable us to cater to projects of larger scale and higher complexity in the future.

For the three years ended 31 March 2016, we acquired new machinery and equipment in the amount of approximately HK\$8.5 million, HK\$7.7 million and HK\$11.6 million at cost, respectively. As at 31 March 2016, our machinery and equipment carried a net book value of approximately HK\$16.9 million.

Set out below are the major types of machinery and equipment used by our Group:

(i) Hydraulic excavator



A hydraulic excavator is a heavy construction equipment consisting of a boom, arm, bucket and cab on an upper-structure which could rotate. The upper-structure sits atop an undercarriage with tracks or wheels.

(ii) Hydraulic hammer



A hydraulic hammer is a powerful percussion hammer fitted to an excavator for demolition, construction and quarrying. It is powered by an auxiliary hydraulic system from the excavator which is fitted with a foot-operated valve for this purpose.

(iii) Drill rig



A drill rig is a machine that creates holes in the earth sub-surface which is used as a mean to assist rock excavation. Small to medium-sized drilling rigs are mobile, such as those used in mineral exploration drilling, blast-hole, water wells and environmental investigations.

(iv) Jumbo drill rig



A jumbo drill rig is used in underground mining if mining is done by drilling and blasting. They are also used in tunnelling if rock hardness prevents use of tunnelling machines. A jumbo drill rig consists of two or three rock drill carriages along with a working platform, which the miner stands on to load the holes with explosives, clear the face of the tunnel or else. Modern jumbo drill rig are relatively large and usually fitted with rubber tyres powered by diesel or electricity.

(v) Shotcrete machine



A shotcrete machine is used to convey mortar concrete through a hose and pneumatically projected at high velocity onto a surface for a high spray output and large cross-sectional areas. It is normally equipped with duplex pumps used for working with wet mixes. Unlike conventional concrete pumps, these systems have to meet the additional requirement of delivering a concrete flow that is as constant as possible, and therefore continuous, to guarantee homogeneous spray application.

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(vi) Loader



A vehicle operated on wheels and designed for lifting, loading and carrying heavy loads in construction activities.

The following table sets out the usage information of our major types of machinery and equipment as at 31 March 2016:

Type of machinery and equipment	Weighted average age <i>(Note)</i> (years)	Expected useful life (years)
Hydraulic excavator	3.4	4.0
Hydraulic hammer	8.1	4.0
Drill rig	3.4	4.0
Jumbo drill rig	1.0	4.0
Shotcrete machine	2.5	4.0
Loader	1.0	4.0
Air compressors	6.7	4.0
Total:	5.2	4.0

Note: Weighted average age is calculated by aggregate age of each type of machinery or equipment divided by total number of respective type of machinery or equipment.

With the possession of our own machinery and equipment, we do not have to rely completely on our suppliers for machinery and equipment rental services. During the Track Record Period, we rented machinery and equipment including excavators, vehicles, jumbo drill rigs and crawler cranes from independent third parties. For the three years ended 31 March 2016, our machinery and equipment rental cost incurred from transactions with independent third parties amounted to approximately HK\$4.9 million, HK\$2.3 million and HK\$7.3 million, respectively.

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During the Track Record Period, we rented machinery and equipment including excavator and dump trucks from Chun Hung Development on normal commercial terms and in our ordinary course of business. Chun Hung Development, a company incorporated in Hong Kong and principally engaged in leasing of construction machinery and equipment, is owned as to 50% by Mr. Tang and 50% by Ms. Choi, our executive Directors and our Controlling Shareholders. For the three years ended 31 March 2016, the total machinery rental costs paid to Chun Hung Development amounted to approximately HK\$4.0 million, HK\$1.1 million and HK\$0.2 million, respectively. Such rental arrangement with Chun Hung Development has been completed and ceased. Pursuant to an agreement dated 22 December 2015 between Chun Hung Development and C&H, we acquired six dump trucks owned by Chun Hung Development at a total consideration of HK\$3.6 million.

We believe that our investment in different types of machinery and equipment has placed us in a position to cater to projects of different scales and complexity. Our Directors also consider that having our own machinery and equipment allows us to devise suitable works schedules and methods tailored to the different needs and requirements of different customers and enables us to efficiently and effectively schedule our projects and deploy our manpower.

Repair and maintenance

We perform on-site maintenance checks on our machinery and equipment prior to commencement of our projects and after the execution stage of the projects. We have a team of in-house mechanics who are capable of repairing and maintaining our machinery and equipment. Routine maintenance procedures, such as injecting lubricants when they ran out and cleaning the dust to ensure smooth operation are performed on an on-going basis by our workers and in-house mechanics. Licensed electricians are in charge of the electrical maintenance work. Machinery such as excavator, drill rig, jumbo drill rig, shotcrete machine and loader should be inspected on a regular basis. Licensed electrician should determine the inspection interval on a case-by-case basis having regard to a number of factors, including the age and condition of working environment. Machines that are found to be malfunctioning or out of order are sent to our in-house mechanics for examination and repair who are capable of repairing minor defects. Our Directors consider that routine and minor examination and repairing by our in-house mechanics is less time-consuming and can shorten the idle time during which a malfunctioning or out-of-order machine remains unusable.

For malfunctioning machinery and equipment that requires major examination and/or specialised skills, we will send such malfunctioning machinery and equipment to the dealer for repairs if the machinery and equipment is still under warranty, or send to other third party repair companies.

For the three years ended 31 March 2016, our repair and maintenance expenses amounted to approximately HK\$1.1 million, HK\$3.0 million and HK\$2.0 million respectively.

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Age and replacement cycle of machinery and equipment

The following table sets out a breakdown of the value of our machinery and equipment by different age groups as at the Latest Practicable Date:

	Number of units of machinery and equipment	Net book value of machinery and equipment <i>HK\$'000</i>	Original cost of acquisition of machinery and equipment <i>HK\$'000</i>
Less than 1 year	14	8,561	10,133
1 year to less than 3 years	34	8,486	17,802
3 years to less than 5 years	5	523	3,585
5 years or above	27	–	9,582
Total:	80	17,570	41,102

Our Directors consider that as at the Latest Practicable Date, our existing machinery and equipment (including those whose useful life has almost reached the end of or passed the expected useful life) were in good operating conditions in general. We do not have a pre-determined or regular replacement cycle for our machinery. Replacement decisions are made on a case-by-case basis having regard to the operating condition of each unit of machinery and the cost effectiveness of replacing only the malfunctioning parts. The weighted average age of our major types of machinery and equipment based on the cost of acquisition is approximately 5.2 years. The expected useful life of our machinery and equipment based on accounting estimation is four years. We replace aged machinery and equipment when it is imperative to do so with reference to factors such as their operating condition and the cost effectiveness of such replacement. Pursuant to our accounting policies, depreciation of machinery and equipment is provided for using straight-line method over a period of four years. In particular, as certain of our machinery and equipment including drill rigs, hydraulic excavators, air compressors, crawler cranes, hydraulic hammers and shotcrete machines are close to full depreciation or fully depreciated, it is our Group's plan to utilise proceeds from the Share Offer of approximately HK\$47.2 million to acquire additional drill rigs, hydraulic excavators, air compressors, crawler cranes, hydraulic hammers and shotcrete machines to satisfy our project needs. Please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus for further details. Our Group will also continue to evaluate the operating condition, effectiveness and efficiency of our machinery and equipment and assess our need for additional machinery and equipment in view of our business development.

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Safekeeping of machinery and equipment

Machinery and equipment that are in use at work sites or unused temporarily are kept under the general management of the respective active work sites. As at the Latest Practicable Date, all of our machinery and equipment are operating at full service capacity in construction sites and no storage of idle machinery and equipment is required.

We purchase machinery and equipment insurance policy for machinery that are under finance leases.

Financing arrangements for the purchase of motor vehicles and machinery and equipment

Taking into account our liquidity position and capital need, during the Track Record Period, our Group raised external financing for the purchase of motor vehicles and machinery through finance leases and bank borrowings. In considering whether to enter into finance lease arrangements and bank borrowings, our Group takes into account several factors including interest cost, availability of funds, repayment schedule and security requirements, among which interest cost is an important factor. During the Track Record Period, the obligations under finance leases carried interest at floating rates from 4.5% to 4.8% per annum or at fixed rate from 3.8% to 5.0% per annum.

During the Track Record Period, our Group acquired certain motor vehicles and machinery such as jumbo drill rigs and shotcrete machines by way of finance leases, under which our banks purchased certain motor vehicles and machinery from respective vendors and leased back those motor vehicles and machinery to our Group at stipulated monthly rents at fixed term. Since the terms of these finance leases transfer substantially all the risks and rewards of ownership of the motor vehicles and machinery to our Group as the lessee, the relevant machinery were accounted for as our Group's assets under the category of property, plant and equipment. Our Group had plant and machinery and motor vehicles under finance leases with net book value amounting to approximately HK\$3.2 million, HK\$6.2 million and HK\$8.6 million as at 31 March 2014, 2015 and 2016, respectively, representing approximately 32.7%, 42.1% and 39.6% of the net book value of plant and machinery and motor vehicles as at 31 March 2014, 2015 and 2016, respectively.

Service capacity and utilisation rate

Our Directors consider that due to the nature of our business and operations, it is not feasible and not practicable to quantify and disclose detailed service capacity and utilisation rate of our machinery and equipment for the following reasons:

- (a) Different types of machinery and equipment have different functions and it is therefore not entirely feasible to quantify the capacity of each piece of machinery and equipment by making reference to an objective and comparable scale or standard of measurement.

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- (b) The utilisation rate of each individual machinery and equipment cannot be clearly defined. A typical site formation projects require the use of different machinery and equipment at different stages, and machinery and equipment may from time to time be left unused in active construction sites pending completion of other stages. Machinery and equipment is also sometimes left unused for repairing or maintenance at works sites or at third party repair company.
- (c) As set out in the fixed asset register of our Group as at 31 March 2016, we had more than 70 units of machinery and equipment and over 10 types of machinery and equipment of various sizes and capacity. Given the number of machinery and equipment owned by our Group, it is impracticable for our Group to track in details the usage of each individual machinery and equipment.

In view of the above, it would be difficult and impracticable to define accurate utilisation rate of machinery and equipment in general and to make a full account of the daily/hourly usage of each individual machinery and equipment. Nevertheless, we will optimise our operational efficiency and capacity by scheduling the use of suitable machinery and equipment at suitable time with reference to the construction method involved in a project.

QUALITY CONTROL

To maintain consistent quality services for our customers, we have established formal quality management system which is certified to be in compliance with the requirements of ISO 9001:2008. We have in-house quality assurance requirements that conform to the ISO 9001:2008 quality standards specifying, among other things, specific work procedures for performing different types of site works, management process, responsibilities of personnel of different levels, tendering process, cost control, quality inspection procedures and standards, subcontracting requirements and accident reporting and complaints and work procedures for operating different types of machinery and equipment. Our workers and our subcontractors are required to follow such procedures.

Mr. Kwok, our executive Director, is responsible for our overall quality control. For the background and industry experience of Mr. Kwok, please refer to the section headed “Directors and Senior Management” in this prospectus.

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Quality control on our services

Our executive Directors, with the assistance of our project managers, closely monitor the progress of each project to ensure that our service (i) meets our customer's requirements; (ii) are completed within the time stipulated in the contract and the budget allocated for the project; and (iii) comply with all relevant rules and regulations. In particular, we implement the following quality control measures:

- Our project managers assist our executive Directors to monitor overall work quality and project progress. Our superintendents coordinate with our foremen to perform on-site inspections and supervise site workers on a daily basis. Our project managers will timely inform our executive Directors of the project status and any quality issues arising from project execution.
- We also closely supervise the work quality of our subcontractors. For our quality control measures over our subcontractors, please refer to the paragraph headed "Subcontractors – Control over subcontractors" of this section. Our customers also conduct their own quality checks from time to time prior to making payment to us.

Quality control on construction materials and machinery

We closely monitor the quality of purchased materials and machinery. To ensure the quality of supplies, prior to ordering, our administrative staff will ensure that the materials are sourced from our approved suppliers to ensure overall quality of supplies. Upon arrival of the ordered materials, all materials are sent directly to the relevant work sites for inspection by our foremen or superintendents before utilisation. During the inspection, we will check (i) whether the quantity is correct; (ii) whether there is any observable defects; and (iii) for machinery purchased or leased by us, whether it functions normally. In addition, for certain projects, our Group is also required to engage independent professionals or professionals appointed by our customers to perform inspection and quality tests on sample materials such as concrete and steel lifting beam. Any defective materials or materials that fall short of the product specifications would be returned to the suppliers for replacement. Our customers would also inspect the materials used by us at work sites and verify the specifications from time to time.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had not received any complaint or claim for compensation from our customers due to quality issue in relation to the services performed by us or works performed by our subcontractors.

OCCUPATIONAL HEALTH AND SAFETY

We place emphasis on occupational health and work safety during the delivery of our services as it is our concern not to put our employees, the subcontractors and the general public in hazards. We have adopted an occupational health and safety system as required by relevant occupational health and safety laws, rules and regulations and managed by our

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safety and environmental department under the supervision of Mr. Kwok, whose background and industry experience are set out in the section headed “Directors and Senior Management” in this prospectus.

Our occupational health and safety management system is certified to be in compliance with the standard required under OHSAS 18001:2007 in October 2013. The current certificate will expire in October 2016. The accreditation body, BSI Pacific Limited, conducts an external audit to assess whether the relevant management system is in conformity with the standards in place every three years. Such surveillance visit is normally conducted on a yearly basis before the expiry of the relevant certificate. Upon satisfaction in regards to the relevant management system, a renewal certificate will be issued.

Occupational health and work safety measures

Our safety & environmental protection department (the “**S&E Department**”), which is supervised by Mr. Hui Wai Cheong, our Quality, Safety and Environmental Manager, whose qualifications and experience is set out in the section headed “Directors and Senior Management” in this prospectus. Mr. Hui reports directly to Mr. Kwok, our executive Director. Our S&E Department is responsible for preparing safety plans, managing our occupational health and safety management system to ensure smooth implementation of our safety procedures and risk control measures.

We have established safety committee at corporate level. Safety committee meeting is held on a monthly basis with our executive Directors for the purpose of setting strategic guidelines for our S&E Department to manage occupational health and safety measures relating to our operation and monitor the effectiveness of our safety management measures. In addition, site safety committee, which consists of our project team, representatives of our customers and the project owners and representatives of subcontractors (if any), is also established on project basis to implement on-site safety measures including regular safety checks to maintain safe working environment, review of safety plan and update of risk assessment for the works, review of safety incidents and follow up of any unsafe practices. As such, we keep our customers informed of the safety issues identified through safety meetings.

Set out below is a summary of our work safety measures:

- Effective promotion and communication of safety procedures are maintained through, among others, establishing safety bulletin and detailed record of accident statistics, holding regular internal and external safety meetings, documenting safety measures and issues identified for each project by preparing safety reports and training records.
- We organise site safety induction briefing sessions for workers on the first day of work and tool box trainings twice a week after morning safety briefing for the workers on site, including subcontractors’ employees. Topics of our safety training typically cover safety procedures for performing different types of work, first-aid training, safety procedures for emergency and duties and procedures for reporting hazards, incidents, accidents and diseases, and good housekeeping of workplaces.

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- All workers on site, including subcontractors' employees, are required to follow the general safety rules adopted by our Group which are communicated to the workers before they commence work and posted on prominent notice boards on site. Workers who breach any such rules will be subject to internal disciplinary actions.
- Risk assessments are generally conducted by our safety manager to identify the potential hazards and accidents and provide suggestion on proper preventive measures prior to commencement of works.
- Site inspections are carried out at least once every two weeks by our safety officer to ensure strict compliance with the statutory occupational health and safety laws, rules and regulations.
- Specific safety measures in relation to, among others, emergency, working at height, roadwork or work adjacent to live carriageway, sewerage and drainage works, site transport, construction of temporary access road, safe operation of machinery and equipment and reporting of hazards and accidents are communicated with workers and documented in details.

Additional safety measures for blasting project

We carry out the following additional safety measures for our blasting project:

- Detailed safety precautions are set out in the method statement to ensure that no harm is caused to any persons and buildings and the surrounding sensitive utilities due to blast induced vibration; safe and smooth operation for all drill and blast works will be carried out with sufficient coordination between respective government departments, contractors, engineers, workers with responsible consideration for the general public; and the delivery, handling and use of explosives are carried out in a safe manner in compliance with relevant laws and regulations.
- We strictly adhere to the safety measures for handling and transporting explosives, details of which are set out in the paragraph headed "Operation Flow – Procurement of construction materials and explosives" in this prospectus.
- Relevant notices are posted at the site entrance and on boards visible to road users and pedestrians advising the date and expected time of each blast.
- Temporary road closure may be carried out prior to blasting.
- Site clearance procedures will be initiated for the safe evacuation and clearance of all workers (except the registered shotfirer) from the blasting area before each blast.

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- Gongmen carrying red flags will block all pedestrian access to the blasting zone when the blast is imminent. Warning sirens are equipped and sounded continuously during blasting. Warning gong will be beaten continuously during blasting.
- We hold regular training on blasting evacuation procedure, training on safe handling and use of explosives, occupational risk relating to flyrock, blasting induced air overpressure, dust, shockwave concussion and toxic fumes associated with blasting, etc.

System of recording and handling accidents and our safety compliance record

If an accident occurs, the injured worker (including our employees and our subcontractors' employees) or the person who witnessed the accident is required to report to our site staff or safety officer. Our safety officer will then investigate the accident by taking photos in respect of the accident scene, examine the equipment or material involved (if any) and take statements from the injured worker, witness(es) of the accident (if any) and other personnel in relation to the particular project. If the accident is a "reportable accident" as assessed by our safety officer, he will prepare an accident report and submit it to our customer and the Labour Department (if required) within the period as specified under the relevant laws and regulations. "Reportable accidents" means workplace accidents that are required to be reported to the Labour Department. For any accident that results in total or partial incapacity of an employee, the accident should be reported in writing within 14 days after the date of accident. For accidents that involve death or fatal injury to an employee, the accident has to be notified to the Labour Department within seven days after the accident. In the event of dangerous occurrence (as defined in the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong)) or fatal accident in Hong Kong, we will notify the Labour Department and submit the Labour Department's standard "Dangerous Occurrence Report Form" within 24 hours. Our safety officers will also complete the investigation on the accident/incident within the same timeframe.

The accident investigation report should be distributed to the S&E Department, superintendent and displayed on site notice board. The investigation findings and recommendations will form part of information of toolbox trainings to prevent reoccurrence of similar accidents in the future.

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The following table sets out a comparison of the industrial accident rate per 1,000 workers and the industrial fatality rate per 1,000 workers in the construction industry in Hong Kong between our Group and the industry average during the periods indicated:

	Construction Industry in Hong Kong (Note 1)	Our Group (Note 2)
From 1 January to 31 December 2013		
Industrial accident rate per 1,000 workers in construction industry	40.8	0
Industrial fatality rate per 1,000 workers in construction industry	0.277	0
From 1 January to 31 December 2014		
Industrial accident rate per 1,000 workers in construction industry	41.9	0
Industrial fatality rate per 1,000 workers in construction industry	0.242	0
From 1 January to 31 December 2015		
Industrial accident rate per 1,000 workers in construction industry	39.1	6.37
Industrial fatality rate per 1,000 workers in construction industry	0.2	0

Notes:

1. The statistics are extracted from the Occupational Safety and Health Statistics Bulletin Issue No.16 (August 2016) published by Occupational Safety and Health Branch of the Labour Department of the Government.
2. Our Group's accident rate and fatality rate is calculated by dividing the number of reportable accidents and accidents involving fatal injuries (as the case may be) during the calendar year or relevant period (i.e. nil in 2013, nil in 2014 and one reportable accident in 2015) by the number of site workers as at the end of the calendar year and multiplying by 1,000. The number of site workers includes employees of our Group and our subcontractors.

During the Track Record Period and up to the Latest Practicable Date, there was one accident which may give rise to potential employees' compensations or personal injuries claims, statistics of which are disclosed under the paragraph headed "Litigation and Potential Claims – Litigations in relation to employees' compensation claims and common law personal injury claims against our Group as at the Latest Practicable Date" in this section below. As illustrated above, we achieved zero accident rate and zero fatality rate for the two calendar years ended 31 December 2013 and 2014.

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Save as disclosed above and to best of our Directors' knowledge and belief, during the Track Record Period and up to the Latest Practicable Date:

- our Group did not experience any significant incidents or accidents in relation to workers' safety and we also have not suffered from any removal, suspension, downgrading or demotion of our licences or permits due to accidents or breaches of workplace safety regulations; and
- no accident had incurred during execution of our blasting projects.

In December 2006, there was a workplace accident at a construction site whereby a former employee of C&H sustained severe burn injuries due to a fire accident at the construction site. After the incident, the said former employee brought employees' compensation claim and personal injury claim against C&H and the main contractor of the project. Such claims were covered by relevant insurance policy and settled prior to commencement of the Track Record Period. Our Directors confirm that we were never subject to any criminal prosecution initiated by any Government authorities for non-compliance of any laws and regulations including the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong) and the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) as a result of the said incident. Furthermore, our Directors further confirm that we have not suffered from any removal, suspension, downgrading or demotion of our licences or permits due to the said incident. After the said incident, our management acknowledged our inadequacy in safety precautions relating to fire prevention and that there was room for improvement to maintain a safe place or system of work prior to the incident. Under such circumstances, our management has strived to strengthen our safety management system and avoid reoccurrence of similar accident in the future by tightening our safety measures as follows:

- To avoid recurrence of similar accident in the future, we carried out safety briefings and training to all workers and newly recruited workers (including workers of the subcontractors) on the following safety precautions since January 2007:
 - electrical installations and storage of inflammable materials were strictly monitored by the safety officer and/ or superintendent;
 - inflammable materials were required to be stored in safe condition away from electrical apparatus and heat sources, light and other electrical heat generators;
 - preventive measures for power overloads were taken and electrical installations were regularly checked and repaired by qualified electrician; and
 - lights, fans and other electrical apparatus were designed with intrinsically safe feature subject to regular maintenance.

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- We have further revised and enhanced our safety measures in relation to fire service equipment including fire extinguishers, sprinklers, hose reels and smoke detectors (the “**Fire Service Equipment**”) as follows:
 - we have designated our safety officer and/or superintendent to check the quantity of the Fire Service Equipment and ensure they are easily accessible and in good operating condition since 2007; and
 - training on (i) handling of emergency situations; and (ii) the use of the Fire Service Equipment have been provided to all workers on regular basis to enable workers to develop sufficient extent of safety awareness to respond to emergencies since 2009.
- To further enhance our safety management system and prepare for certification of OHSAS 18001:2007, we engaged an external ISO consultant in August 2009 whereby pre-assessment and formal assessment were subsequently performed by the recognised assessor who visited our Group on a half-yearly basis and assisted our Group in monitoring and maintaining our safety system for continuous improvement and meeting the requirements of the required ISO standards.
- We have appointed a quality, safety and environmental consultant in 2011 who is registered as a safety officer in the Labour Department. Safety policy and trainings were prepared by the safety officer on regular basis. In-house safety rules, personal protective equipment, emergency preparedness, safety committees and job-hazard analysis were developed.
- Since August 2013, safety audit was performed by qualified safety auditor and safety audit report was submitted to the Labour Department on project basis and it was concluded that our Group attained an acceptable safety standard.
- Emergency and safety plans regarding the above were further consolidated and documented in accordance with our safety management system and reviewed by our safety officer on a regular basis since 2013.
- Safety officers and/or superintendents are responsible for conducting spot check at construction sites and workplaces and the equipment to be used by workers to check whether the workers comply with our safety guidance.
- In 2013, our occupational health and safety management system is certified to be in compliance with the OHSAS 18001:2007 standard which is an internationally recognised specification for occupational health and safety management systems. It specifies requirements for an occupational health and safety management system included the scope of provision of civil engineering works (roads and drainage, site formation and waterworks) to enable our Group to develop and implement policies and objectives taking into account the legal requirements and information about occupational risks and to improve the occupational safety and health performance.

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- Continuous assessment has been performed on our safety management system by the external ISO consultant on a half-yearly basis in order to verify our Group's ability to meet the safety requirements continuously as required under the OHSAS 18001:2007 standards.

Our Directors are of the view, and the Sponsor concur, that the above enhanced safety measures are sufficient and could effectively prevent occurrence of similar incident in the future as demonstrated by the fact that (i) there has been no fire accident since 2006; (ii) for the two years ended 31 December 2014, we achieved zero accident record; and (iii) we had no criminal conviction for contravention of safety laws, rules and regulations during the Track Record Period. Our Directors attribute this to our enhanced internal control measures adopted by us after the incident as detailed above.

Safety audit and safety review

We are required to develop, implement and maintain a safety management system in accordance with the Factories and Industrial Undertakings (Safety Management) Regulation (Chapter 59AF of the Laws of Hong Kong). An independent safety management audit is also required to be conducted on a semi-annual basis. During the Track Record Period, we engaged an independent safety auditor registered with the Labour Department to conduct such semi-annual safety audit on C&H as required under the Factories and Industrial Undertakings (Safety Management) Regulation.

ENVIRONMENTAL PROTECTION

Our Group's operations on sites are subject to certain environmental requirements pursuant to the laws in Hong Kong such as Air Pollution Control Ordinance, Noise Control Ordinance, Water Pollution Control Ordinance and Waste Disposal Ordinance. For details of the regulatory requirements, please refer to the section headed "Laws and Regulations" in this prospectus.

We endeavour to minimise any adverse impact on the environment resulting from our business activities. In order to comply with the applicable environmental protection laws, we had implemented an environmental management system which was certified to be in compliance with the standard required under ISO 14001:2004 in October 2013. Apart from following the environmental protection policies formulated and required by our customers, we have also established our environmental management policy to ensure proper management of environmental protection and compliance of environmental laws and regulations by both our employees and workers of the subcontractors on among others, air pollution, noise control and waste disposal. For blasting project, we work with our customer's geologist to examine the topographical and geological conditions of the works site, ground, groundwater and surface water conditions, physical site constraints to minimise any potential hazards and impact on the surrounding environment caused by the blasting.

For the three years ended 31 March 2016, we incurred HK\$16,500, HK\$2,750 and HK\$5,830 as the audit fee in relation to the certification of ISO 14001 (environmental management system), and did not incur any expenses for compliance with our environmental obligations and do not expect to incur any expenses in this respect going forward.

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During the Track Record Period and up to the Latest Practicable Date, we did not record any non-compliance with applicable environmental requirements that resulted in prosecution or penalty being brought against us.

INSURANCE

During the Track Record Period and up to the Latest Practicable Date, our Directors believe that we were well covered under the following insurance policies against the risks and liabilities to which we may be exposed in the course of our business operation:

(i) Employees' compensation insurance

We have taken out employees' compensation insurance to cover our liabilities under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all our employees working in our office as required under section 40 of the Employees' Compensation Ordinance for an amount of up to HK\$100 million per event. For any liabilities arising from injuries at construction site, under section 24 of the Employees' Compensation Ordinance, a main contractor is liable to any accident of the workers of its subcontractors on the construction sites and is required to take out an insurance policy for an amount of up to HK\$200 million per event to cover its liability and that of its subcontractors under the Employees' Compensation Ordinance and at common law. Therefore, our liabilities and the liabilities of our subcontractors under the Employees' Compensation Ordinance and at common law for injuries at construction site are covered by the insurance policy taken out by the main contractor of the project.

(ii) Contractors' all risks insurance and other insurance taken out by the main contractor

For all of the projects undertaken by us, the main contractor has taken out contractors' all risk insurance policies which typically cover (a) liability arising from potential bodily injury to third parties or death as a result of the performance of our contract works undertaken by us or by our subcontractors at the construction site; and (b) liability arising from damage to third parties' properties as a result of the performance of our contract works undertaken by us or by our subcontractors at the construction site. Our Directors confirm that there is no statutory requirement on minimum insurance coverage of contractors' all risks insurance.

As disclosed in the section headed "Risk Factors" in this prospectus, we are exposed to certain inherent risks relating to site formation works and it is not unusual to encounter certain difficult or dangerous conditions at the underground level or works site which may result in personal injuries or even fatality of site workers. Please refer to the section headed "Risk Factors – Risks relating to our business – We are exposed to certain inherent risks relating to site formation works" in this prospectus for further details. Our Directors consider that such risks and liabilities will be well covered under the contractors' all risk insurance on and subject to the terms and conditions of the insurance policy.

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Furthermore, prior to the tender stage, the ultimate employer of a project will usually appoint a geotechnical consultant to carry out site inspection and condition survey of geotechnical features to examine the topographical and geological conditions of the works site to ensure that the works site is suitable and safe for site formation works (e.g. to check whether the works site is subject to risk of land subsidence or other natural hazards). We will also execute site formation works strictly in accordance with the overall design plan and technical specifications provided by our customers and any fault, defect, error or omission in or failure of any design plan or specifications of any part of the works in relation to the project may be covered by the professional indemnity insurance maintained by the main contractor, depending on the requirements of the project. Our Directors therefore consider that the risk of losses or claims against us as a result of the topographical and geological conditions of the works site (e.g. land subsidence) is low.

(iii) Other insurance coverage

Our Group has maintained insurance coverage against, among others, (a) third party liability in relation to the use of our vehicles for an amount of up to HK\$100 million per event (the “**Third Party Insurance**”); (b) liability for third party bodily injury occurred in our office premises for an amount of up to HK\$100 million per event; and (c) loss or damage of certain of our major machinery and equipment for an aggregate amount of approximately HK\$12.7 million. In particular, the Third Party Insurance taken out by us will cover our liabilities arising from the common law claim in connection with the recent fatal traffic accident, details of which are set out in the paragraph headed “Litigation and potential claims” of this section.

Uninsured risks

Certain risks disclosed in the section headed “Risk Factors” in this prospectus, such as risk in relation to customer concentration, our ability to secure new contractors, potential claims arising from latent defects liability, estimation and management of costs, subcontractors’ performance, liquidity risk, etc., are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks. In particular, although our insurance policy does not cover any losses and claims caused by substandard performance of our subcontractors, we can either deduct the retention monies payable to such subcontractor or claim against such subcontractor for losses attributable to their substandard performance pursuant to the indemnity clause of the subcontracting agreement. Our Directors consider that the risk of losses or claims caused by substandard performance of works of or delay caused by the subcontractors is low. Further, during the Track Record Period, we did not experience any claims from our customers in respect of the latent defects. Please refer to the paragraph headed “Internal control and risk management” of this section below for further details regarding how our Group manages certain uninsured risk.

Our Directors believe that our current insurance policies are adequate and the extent of the above insurance policies is consistent with industry norm having regard to our current operations and the prevailing industry practice. For the three years ended 31 March 2016,

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our insurance expenses were approximately HK\$61,000, HK\$208,000 and HK\$407,000 respectively. During the Track Record Period and up to the Latest Practicable Date, we had not made and did not make or had not been the subject of any material insurance claim.

EMPLOYEES

As at the Latest Practicable Date, we had 98 employees who were directly employed by our Group in Hong Kong. The following table sets out a breakdown of the number of our employees by functions:

	2014	As at 31 March 2015	2016	As at the Latest Practicable Date
Directors and general management	3	3	3	6
Administration, accounting and finance	3	3	5	5
Project management and supervision	5	7	5	5
Safety and environmental compliance	1	1	1	1
Engineering and surveying	7	8	8	8
Site workers	59	55	40	73
	<u>78</u>	<u>77</u>	<u>62</u>	<u>98</u>

The decrease in number of employees from 77 as at 31 March 2015 to 62 as at 31 March 2016 was primarily due to substantial reduction in the number of site workers, which were our direct labour, from 55 as at 31 March 2015 to 40 as at 31 March 2016. Our Directors consider that in 2015, to expedite work progress and ensure quality execution of works, we recruited more direct labour to carry out site works principally for the tunnel excavation works by drill and blast method for China States Construction (the “**Tunnel Project No. 1**”), which accounted for a greater number of direct labour in 2015 than that in 2016.

As at 31 March 2016, we only needed to retain relatively fewer site workers than prior year for a tunnel excavation project by drill and break method (the “**Tunnel Project No. 2**”) whereas other on-going projects in early 2016 mostly consisted of ELS works, pile cap construction and road and drainage works which had been outsourced substantially to subcontractors and hence fewer direct labour were needed. Furthermore, the substantial reduction in site workers as at 31 March 2016 was also due to completion of the Tunnel Project No. 1 and the site formation works carried out by us relating to three projects in October and November 2015 and hence fewer site workers were required after such completion of these projects.

As at the Latest Practicable Date, the number of employees increased to 98 due to increase in the number of our site workers, which were our direct labour, from 40 as at 31 March 2016 to 73 as at the Latest Practicable Date. The increase in number of site workers

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as at the Latest Practicable Date was to cope with our need to (i) continue to undertake the Tunnel Project No. 2 which required our direct labour for works execution; and (ii) undertake excavation works, which required our direct labour for works execution, for purpose of a construction project of Government complex that has commenced in May 2016.

Furthermore, to ensure that we have sufficient manpower for two newly awarded contracts (including (i) ELS and pile cap construction for a hotel project with an awarded contract value of approximately HK\$12.3 million scheduled to commence in September 2016 (“**Project No. 1**”) and (ii) site formation and geotechnical works for a residential and kindergarten development project with an awarded contract value of approximately HK\$62.0 million which is scheduled to commence in June 2016 (“**Project No. 2**”)) and contracts that we will tender for the two years ending 31 March 2018, we intend to increase the number of our staff by 37 by utilising approximately HK\$14.8 million (approximately 18.7% of the net proceeds from the Share Offer) for recruitments. For Project No. 1, although we will outsource ELS works and pile cap construction works to subcontractors, we plan to recruit one foreman to manage the work quality of subcontractors, three plant operators and two site workers to meet our needs for Project No. 1. For Project No. 2, we plan to recruit one foreman, four plant operators and four site workers to undertake site formation works. For contracts that we will tender for the two years ending 31 March 2018, we plan to employ 17 site staff. We also plan to recruit five office staff for our overall project need. For further details, please refer to the section headed “Future plans and use of proceeds – Use of proceeds” in this prospectus.

Relationship with our staff

Our Directors consider that we have maintained good relationship with our employees. We have not experienced any significant disputes with our employees or any disruption to our operations due to labour disputes, save as disclosed in the paragraph headed “Litigation and Potential Claims” in this section. In addition, we have not experienced any difficulties in recruitment and retention of experienced core staff or skilled personnel during the Track Record Period.

Recruitment policy and training

We generally recruit our employees through placing advertisements in the open market with reference to factors such as their experience, qualifications and expertise required for our business operations. They are normally subject to three months probation period starting on board. We endeavour to use our best effort to attract and retain appropriate and suitable personnel to serve our Group. Our Group assesses the available human resources on a continuous basis and will determine whether additional personnel are required to cope with the business development of our Group.

We provide various types of trainings to our employees, including those on occupational health and safety in relation to our work. Such training courses include our internal training as well as courses organized by external parties such as the Construction Industry Council and the Occupational Safety and Health Council.

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Remuneration policy

The remuneration package our Group offered to our employees includes salary, bonuses and other cash subsidies. In general, our Group determines employee salaries based on each employee's qualifications, position and seniority. Our Group has designed an annual review system to assess the performance of our employees, which forms the basis of our decisions with respect to salary adjustments, bonuses and promotions.

Our Group operates MPF scheme for all qualifying employees in Hong Kong. During the three years ended 31 March 2016, the total expenses recognised in the combined statements of comprehensive income amounted to approximately HK\$0.6 million, HK\$1.5 million and HK\$0.9 million, respectively, which represents contributions payable to the scheme by our Group at rates specified in the rules of the MPF scheme.

Requirements under the Immigration Ordinance

Pursuant to section 38A of the Immigration Ordinance, a construction site controller (i.e. the principal or main contractor and includes a subcontractor, owner, occupier or other person who has control over or is in charge of a construction site) should take all practicable steps to (i) prevent having illegal immigrants from being on site and (ii) prevent illegal workers who are not lawfully employable from taking employment on site. For further information, please refer to the section headed "Laws and Regulations – A. Labour, Health and Safety – Immigration Ordinance" in this prospectus.

Our Directors confirm that we have not been involved in any employment of illegal workers (whether directly or indirectly via subcontracting to the best of our Director's knowledge, information and belief) in the past in respect of work sites over which we had or have control or of which we are or were in charge. We have not been subject to any prosecution of any offences under the Immigration Ordinance in relation to the aforesaid requirements in the past. We have implemented the following measures to prevent having illegal immigrants from being on site and to prevent illegal workers from taking employment on site:

- Our administration manager shall supervise the administration department to inspect and take copy of the original of workers' Hong Kong identity card and/or other documentary evidence showing that he/she is lawfully employable in Hong Kong.
- Our foremen is responsible for inspecting the personal identification document of each worker, including the employee of subcontractor, and shall refuse any person who does not possess proper personal identification document from entering the site.

RESEARCH AND DEVELOPMENT

During the Track Record Period and as at the Latest Practicable Date, we did not take part in any research and development activity.

COMPETITIVE LANDSCAPE

According to the Euromonitor Report, the site formation industry in Hong Kong is fragmented with a large number of subcontractors and a small number of main contractors. As of May 2016, there were 179 registered companies with specialist contractors for site formation works, and 391 registered subcontractors for earthwork under the Subcontractors Registration Scheme managed by the Construction Industry Council. The top five players in the industry in terms of revenue receipts generated from provision of site formation work in Hong Kong are all main contractors, due to their ability to undertake a large number of projects and large contracts for public infrastructure projects. It is estimated that the top five players accounted for around 26.4% of the main contractor's site formation market share in 2015. The total revenue of the site formation industry in Hong Kong accounted for approximately 2.18% of the total revenue of the overall construction industry in Hong Kong in 2015. According to the Euromonitor Report, in 2015, our Group is one of the major subcontractors in the site formation industry, holding approximately 7.2% market share for site formation and clearance works subcontractors in Hong Kong.

Our Directors consider that technical expertise in site formation (particularly rock excavation), quality of work, relationship with customers, suppliers and subcontractors, machinery capability, project pricing and safety records are the determinants of competitiveness of a site formation services provider in Hong Kong. Barriers of entry to the site formation industry depend on the complexity of works involved and capital requirements. Earth and soil related site formation works are relatively straightforward, while rocks related site formation works are more technically challenging. Our Directors consider that site formation works involving rock excavation has high barriers of entry, as such works require specialist technical knowledge and equipment (such as tunnel boring machines or explosive blasting methods to excavate tunnels), which can require high capital outlays. For details, please refer to the section headed "Industry overview – Competitive Landscape – Entry barriers to the site formation industry in Hong Kong" in this prospectus.

Our Directors believe that there will be more opportunities for site formation industry due to the Government's long-term planning for infrastructure projects and the increasing Government support for rock caverns development projects. With our own proven track record, experienced project management team, possession of necessary machinery and equipment, specialist knowledge in the site formation industry and stable relationship with our key customers, suppliers and subcontractors, details of which are set out in the paragraph headed "Competitive strengths" in this section, our Directors believe that our Group is well-positioned to capture more business opportunities from the site formation industry in Hong Kong.

Please refer to the section headed "Industry overview – Competitive landscape" in this prospectus for further details of the competitive landscape of the site formation industry in Hong Kong.

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PROPERTIES

The following table summarises the information regarding our leased property during the Track Record Period and up to the Latest Practicable Date:

Address	Landlord	Approximate gross floor area (sq. ft.)	Use of the property	Key terms of the tenancy
Office Nos. 12B & 17, 9/F., Shatin Galleria, 18-24 Shan Mei Street, Fotan, New Territories, Hong Kong	An independent third party	1,583	Office use	Monthly rent of HK\$24,000 (exclusive of rates, government rent, management fee and other outgoings) for a term commencing from 4 May 2015 to 31 May 2017 (both days inclusive).

Save as disclosed above, our Group did not have any other property interests as at the Latest Practicable Date.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, our Group has registered “www.cherishholdings.com” as our domain name. Please refer to the section headed “(B) Further Information about Our Business – 2. Intellectual property rights” in Appendix IV to this prospectus for further details of our intellectual property rights.

As at the Latest Practicable Date, (i) we were not aware of any dispute or infringements by our Group of any intellectual property rights owned by third parties, and (ii) we were not aware of any dispute or pending or threatened claims against our Group in relation to material infringement of any intellectual property rights of third parties.

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LICENCES AND PERMITS

As advised by our Legal Counsel, (i) except for the business registration under the Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong), there are no licenses, permits or approvals required to be obtained for our Group to carry on our business as a subcontractor of site formation projects; and (ii) our Group is not required to be registered as a general building contractor and/or specialist contractor as long as we work with main contractors who are so registered.

Subcontractor Registration Scheme

Based on our Directors' experience, some of our customers, in particular main contractors of major public sector projects, prefer to engage subcontractors who are registered in the Subcontractor Registration Scheme of the Construction Industry Council. In view of this, we have first completed such registration since August 2015. The following table summarises the details of such registration held by C&H as at the Latest Practicable Date:

Type of registration	Granted by	Granted to	Trades Code	Specialties	Date of upcoming expiry date
Registered Subcontractor	Construction Industry Council	C&H	General civil works	Earthworks	20 August 2017

The Subcontractor Registration Scheme was introduced by the Construction Industry Council in order to build up a pool of capable and responsible subcontractors with specialised skills and strong professional ethics. The registration and the renewal of registration for the Subcontractor Registration Scheme are subject to the satisfaction of certain entry requirements which primarily concern the applicant's experience and/or qualification in the relevant works. For further details in relation to the Subcontractor Registration Scheme, please refer to the section headed "Laws and Regulations – C. Contractor Licensing Regime and Operation – Contractor licensing regime and subcontractor registration scheme" in this prospectus.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had satisfied all requirements for the registration and the renewal of registration for the Subcontractor Registration Scheme. Our Directors confirmed that our Group had not experienced any material difficulties in obtaining and/or renewing the aforesaid registration and they were not aware of any circumstances that would significantly hinder or delay the renewal of the registration. Our Directors do not foresee any material impediment in the renewal of the aforesaid registration by us.

Blasting permit and removal permit

Our customer as the main contractor is responsible for submitting an application to the Mines Division of CEDD for a "Licence to Possess Category 1 Dangerous Goods" for the possession of explosives for immediate use at a blast site, and "Permit to use Category 1 Dangerous Goods" for preparing, loading and firing of explosive charges. For details, please

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refer to the paragraph headed “Operation Flow – Preparation of method statement, application of blasting permit and blasting design (if required)” in this section. Furthermore, our customer is also responsible for submitting an application for a removal permit to the Mines Division of CEDD on the working day preceding the day of the intended blast for removal and delivery of the explosives from the Government Explosives Depot at Kau Shat Wan, Lantau Island. Please refer to the paragraph headed “Operation flow – Procurement of construction materials and explosives” in this section for further details on application of removal permit.

Mine blasting certificate

Under Regulation 47 of the Dangerous Goods (General) Regulations, a person who prepare any charge for blasting or fire any charge must obtain a mine blasting certificate issued by the Mines Division of CEDD. A mine blasting certificate is valid and renewal every three years. As at the Latest Practicable Date, we have a total of three registered shotfirers who hold valid mine blasting certificates and are seconded to our customer on project basis at the start of a blasting project. Please refer to the section headed “Laws and Regulations – D. Use and Conveyance of Explosives – Mine Blasting Certificate” for details of the regulatory regime on the licensing requirements applicable to registered shotfirers.

Our Group has obtained valid business registration certificate at all times. To the best of our Directors’ knowledge, information and belief having made reasonable enquiry, our customers as main contractors have obtained all material licences, permits and approvals required for carrying on the site formation projects undertaken by us during the Track Record Period and up to the Latest Practicable Date.

In order to ensure the ongoing compliance with the applicable requirements, laws and Regulations concerning the licensing requirements, our administration department shall be responsible for:

- (i) identifying and reviewing any approvals, permits, licences and certificates (if required) for our Group’s operations and to ensure compliance with relevant laws and regulations periodically;
- (ii) checking relevant requirements and making necessary submission (if required) to upkeep our Group’s licensing status;
- (iii) identifying any information which shall be provided for application/submission such as company profile, job experience, resources, financial information, management systems and certificates, technical proposal, schedule, customer satisfaction etc.;
- (iv) keeping the update of the above information to our customers when necessary;
- (v) identifying the new requirements, operation and control procedures under statutory and regulations applicable to our operations; and

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- (vi) briefing our relevant staff for the news, update, revised requirements for ensuring that our relevant staff obtains update of the industry-specific requirements.

AWARDS AND RECOGNITIONS

We have received a number of awards and certificates during our operating history in recognition of our commitment and dedication to safety and environmental compliance. The following table summarises the awards and certificates obtained by our Group:

Certifications for compliance with ISO/OHSAS requirements

Nature	Certification	Awarding organization or authority	Holder	Validity period
Environmental Management System	ISO 14001:2004	BSI Pacific Limited	C&H ^(Note)	18 October 2013 – 17 October 2016
Quality Management System	ISO 9001:2008	BSI Pacific Limited	C&H ^(Note)	18 October 2013 – 17 October 2016
Occupational Health and Safety Management System	OHSAS 18001:2007	BSI Pacific Limited	C&H ^(Note)	18 October 2013 – 17 October 2016

Note:

The scope covers the provision of civil engineering works (roads and drainage, site formation and waterworks).

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

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Awards in recognition of our Group's safety and environmental compliance

Date	Award or recognition
January 2009	Outstanding Safety Performance (21 May 2006 – 31 December 2008) – Shatin New Town Stage II: Road Works at Area 34 & 52 in Shui Chuen O and Area 56A in Kau To (ST/2005/02) granted by our then customer
2009/2010	Construction Industry Safety Award Scheme (Civil engineering Construction Site – Subcontractor) – Merit Award granted by the Labour Department
May 2014	20th Considerate Contractors Site Award Scheme (Model Subcontractor Award) – Gold Award granted by the Development Bureau and the Construction Industry Council

LITIGATION AND POTENTIAL CLAIMS

During the Track Record Period and as at the Latest Practicable Date, save as disclosed below, our Group did not involve in any civil claims and litigations against our Group.

Litigations in relation to employees' compensation claims and common law personal injury claims against our Group as at the Latest Practicable Date

Our Group's liabilities in a case of personal injuries to our employees by accidents arising out of and in the course of their employment include those under (i) the Employees' Compensation Ordinance; and (ii) common law personal injury claim. The Employees' Compensation Ordinance establishes a no-fault, non-contributory employee compensation system which gives employees the right to compensation in respect of (i) injuries or death caused by accidents arising out of and in the course of employment, or (ii) prescribed occupational diseases under the Employees' Compensation Ordinance. A common law personal injury claim may arise if the injury is caused to an employee by our negligence, breach of statutory duty, or other wrongful act or omission. For some of the potential claims, even if the relevant employees' compensation had been settled under our employees' compensation insurance, the injured employees may still pursue litigation claims through personal injury claims against us under common law. The damages awarded under common law claims are normally reduced by the value of the compensation paid or payable under the Employees' Compensation Ordinance in any event.

Our Directors confirmed that to the best of our Directors' knowledge, information and belief and having made all reasonable enquiries, as at the Latest Practicable Date, (i) our Group was not subject to any ongoing employee's compensation claim on personal injury claim; and (ii) during the Track Record Period and up to the Latest Practicable Date, our Group recorded one workplace accident and one fatal traffic accident (details of which are set out below), which may give rise to potential employees' compensation or personal injury claims.

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A fatal traffic accident occurred in Kwun Tong, Kowloon on 9 July 2016 in which one of our dump trucks (the “**Vehicle**”) was driven by an employee of C&H (the “**Employee**”). It reportedly knocked down an 84-year-old man (the “**Deceased**”) who was crossing a road. After the impact, the Vehicle left the scene. The Deceased sustained multiple injuries and was certified dead at the hospital. The Employee was arrested for dangerous driving causing death, failing to stop after a traffic accident and failing to report after a traffic accident. As the aforesaid traffic accident is under investigation by the Hong Kong Police Force, our Directors confirm that as at the Latest Practicable Date, no claim or prosecution was instituted against our Group in connection with the traffic accident. Any common law claim as may be brought against our Group resulting from the traffic accident will be covered by relevant insurance policy. We are advised by our Legal Counsel that for any criminal prosecution, it will only be initiated against the Employee who was allegedly the driver of the Vehicle and we will not be prosecuted for all those offences. We may face personal injury action by the estate of the Deceased, which is well covered by our insurance policy.

Potential claims refer to those claims that have not commenced against our Group but are within the limitation period of two years (for employees’ compensation claims) or three years (for personal injury claims) from the date of the relevant incidents pursuant to the Limitation Ordinance (Chapter 347 of the Laws of Hong Kong). As such court proceedings have not commenced, we are not in a position to assess the likely quantum of such potential claim. Our Directors take the view that the amount of such potential claim to be borne by our Group in the proceedings shall be covered by relevant insurance policy. These accident was caused during usual and ordinary course of our business and has not caused disruption to our Group’s business or has any adverse impact on our Group to obtain any licences or permits for our operation. Moreover, there are insurance policies in place to cover our potential liabilities in relation to the above. For details, please refer to the paragraph headed “Insurance” in this section.

Indemnity given by our Controlling Shareholders

Our Controlling Shareholders have entered into a Deed of Indemnity in favour of us to provide indemnities on a joint and several basis in respect of, among other matters, any claims, payments, suits, damages, settlement payments, costs and expenses which would be incurred or suffered by our Group as a result of any litigation, arbitration and/or legal proceedings, whether of criminal, administrative, contractual, tortious or otherwise nature against any member of our Group in relation to any act, non-performance, omission or otherwise of any member of our Group on or before the date on which the Share Offer becomes unconditional. Please refer to the section headed “(E) Other Information – 1. Tax and other indemnities” in Appendix IV to this prospectus for details of the Deed of Indemnity. Save as disclosed above, our Directors, to the best of their knowledge, information and belief having made all reasonable enquiries, are not aware of any litigation proceedings pending or threatened against us which could have a material adverse effect on our financial condition or results of operations.

Criminal convictions

During the Track Record Period and as at the Latest Practicable Date, our Group did not involve in any criminal litigations and had no criminal conviction.

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Save as disclosed above and to best of our Directors' knowledge and belief, during the Track Record Period and up to the Latest Practicable Date, our Group did not experience any significant incidents or accidents in relation to workers' safety and we were not convicted for any material breach of workplace safety laws and regulations.

NON-COMPLIANCE

During the Track Record Period, there were certain non-compliance incidents of our Group in connection with the Inland Revenue Ordinance and the Employees' Compensation Ordinance, details of which are as follows:

Relevant section of the ordinance	Particulars of the non-compliance	Reason for the non-compliance	Remedial action	Estimated/actual fine/penalty
Non-compliance with section 40(1) of the Employees' Compensation Ordinance	Failure of C&H to take out insurance policies for its directors, who are also the then shareholders of C&H	The omission was due to misunderstanding of the relevant laws and regulations by the human resources personnel of C&H responsible for handling matters relating to employees' insurance at the relevant time, who mistakenly believed that C&H was not required to take out insurance policy for the directors of C&H who are also the shareholders of C&H.	Our Group has on 13 May 2016 taken out insurance policy for those Directors.	Under section 40(2) of the Employees' Compensation Ordinance, the employer in breach of section 40(1) of the Employees' Compensation Ordinance is liable on summary conviction the maximum sentence of a fine of HK\$100,000 and to imprisonment for one year, and on conviction of indictment, the maximum sentence is a fine of HK\$100,000 and to imprisonment for two years. As advised by our Legal Counsel, the Group did not intentionally put its members of staff at risk by failing to take out insurance policy and there was no workplace accident involving the Directors without insurance coverage. Hence, the risk of prosecution against the Group is remote.
Non-compliance of Section 15(1A) of the Employees' Compensation Ordinance	Failure of C&H to give notice to the Commissioner of Labour regarding the injury of one of our employees which happened on 18 December 2015 during his course of employment who had injured his left eye and were given sick leave of more than three days	The breach was not wilful and was due to inadvertent oversight of our administrative staff who had mistakenly believed that work injury which has been reported to the main contractor was not required to be reported to the Commissioner of Labour. Our Directors had no direct or willful involvement in the breach.	The notice was given to the Commissioner of Labour on 21 March 2016.	As advised by our Legal Counsel, C&H shall be liable to a potential maximum fine of HK\$50,000, and that given C&H has taken remedial action by filing the notice to the Commissioner of Labour subsequently in relation to the injury case, the chance of C&H being prosecuted and the chance of maximum sentence being imposed are remote. As advised by our Legal Counsel, C&H's directors or responsible persons will not be held liable under the Employees' Compensation Ordinance.

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Relevant section of the ordinance	Particulars of the non-compliance	Reason for the non-compliance	Remedial action	Estimated/actual fine/penalty
Non-compliance with section 52(4) of the Inland Revenue Ordinance	Failure to submit the notices (Form 56E) regarding commencement of employment of all employees which is required to be filed within three months after the commencement of employment of such employee from December 2001 to December 2015	The omission was not willful and was due to inadvertent oversight of the administrative staff responsible for employee records.	The relevant notices for all employees of C&H who commenced employment for the year 2015/2016 have been filed on 1 December 2015 and 14 December 2015, respectively, and those for all employees who commenced employment on or after December 2015 were duly filed within the prescribed time limit. Upon verbal inquiry with the Inland Revenue Department in June 2016, we were informed that the outstanding Forms 56E were not required to be submitted since the relevant employer's return of remuneration & pensions (Forms 56B) had been submitted. As such, our Directors confirm that there are no further rectification actions in respect of the above breaches. Furthermore, we will appoint our financial controller, Mr. Lam Sing Hon, to monitor the compliance by our Group in this aspect and we will maintain a checklist for the documents required to be filed by each of our incoming and outgoing employees, including, amongst others, Form 56E and Form 56F, to ensure ongoing compliance.	Under the Inland Revenue Ordinance, the maximum penalty for each offence is HK\$10,000. As advised by our Legal Counsel, section 80(3) of the Inland Revenue Ordinance stipulates that the time limit of prosecution of this kind of default is either in the year of assessment in respect of or during which the offence was committed or within 6 years after the expiration thereof. Accordingly, a total maximum penalty of HK\$1,650,000 may be imposed on C&H in respect of this non-compliance issue. As advised by our Legal Counsel, having considered that (i) the offence is inadvertent by nature and (ii) there appears to be no taxative repercussions arising from the non-compliance and there is no evidence showing any scheme of C&H to avoid or diminish its tax liability because we had duly filed the relevant employer's returns i.e. Form 56B which contained the list of employees and their remunerations and pensions and therefore the Inland Revenue Department has been kept informed of the employment affairs of our Group despite our failure to file Form 56E and 56F, our Legal Counsel is of the view that the likelihood of the Inland Revenue Department instituting prosecution against C&H for the non-compliance is minimal. Our Legal Counsel also advised that prosecution under non-compliance with section 52(4) of the Inland Revenue Ordinance is rare in general. Even if there is any prosecution, the chance of maximum penalty being imposed is low.

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Relevant section of the ordinance	Particulars of the non-compliance	Reason for the non-compliance	Remedial action	Estimated/actual fine/penalty
<p>Non-compliance with section 52(5) of the Inland Revenue Ordinance</p>	<p>Failure of C&H to submit the notices (Form 56F) regarding cessation of employment of all employees which is required to be filed within one month before the expected date of departure of such employees from June 2002 to February 2016</p>	<p>The omission was not willful and was due to inadvertent oversight of the administrative staff of C&H responsible for employee records at the relevant time.</p>	<p>The relevant notices for all employees of C&H who ceased employment for the year 2015/2016 have been filed on 25 February 2016 and those for all employees who ceased employment on or after February 2016 were duly filed within the prescribed time limit. Upon verbal inquiry with the Inland Revenue Department in June 2016, we were informed that the outstanding Forms 56F were not required to be submitted since the relevant employer's return of remuneration & pensions (Forms 56B) had been submitted. As such, our Directors confirm that there are no further rectification actions in respect of the above breaches. Furthermore, we will appoint our financial controller, Mr. Lam Sing Hon, to monitor the compliance by our Group in this aspect and we will maintain a checklist for the documents required to be filed by each of our incoming and outgoing employees, including, amongst others, Form 56E and Form 56F, to ensure ongoing compliance.</p>	<p>Under the Inland Revenue Ordinance, the maximum penalty for each offence is HK\$10,000. As advised by our Legal Counsel, section 80(3) of the Inland Revenue Ordinance stipulates that the time limit of prosecution of this kind of default is either in the year of assessment in respect of or during which the offence was committed or within six years after the expiration thereof. Accordingly, a total maximum penalty of HK\$1,700,000 may be imposed on C&H in respect of this non-compliance issue.</p> <p>As advised by our Legal Counsel, having considered that the offence is inadvertent by nature, there appears to be no taxative repercussions arising from the non-compliance and there is no evidence showing any scheme of C&H to avoid or diminish its tax liability because we had duly filed the relevant employer's returns i.e. Form 56B which contained the list of employees and their remunerations and pensions and therefore the Inland Revenue Department has been kept informed of the employment affairs of our Group despite our failure to file Form 56E and 56F, our Legal Counsel is of the view that the likelihood of the Inland Revenue Department instituting prosecution against C&H for the non-compliance is minimal. Our Legal Counsel also advised that prosecution under non-compliance with section 52(5) of the Inland Revenue Ordinance is rare in general. Even if there is any prosecution, the chance of maximum penalty being imposed is low.</p>

As confirmed by our Directors, as at the Latest Practicable Date, save as disclosed above, our Group has complied in all material respects with the applicable laws and regulations in Hong Kong during the Track Record Period and up to the Latest Practicable Date and did not receive any notices for any fines or penalties for any non-compliance that is material and systemic.

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

The Sponsor, after considering the above and having reviewed the internal control measures adopted our Group, concurs with the view of our Directors that the abovementioned non-compliance incident would not affect the suitability of listing of our Company under Rule 8.04 of the Listing Rules.

Furthermore, our Controlling Shareholders have entered into a Deed of Indemnity in favour of us to provide indemnities on a joint and several basis in respect of, among other matters, any claims, payments, suits, damages, settlement payments, costs and expenses which would be incurred or suffered by our Group as a result of any litigation, arbitration and/or legal proceedings, whether of criminal, administrative, contractual, tortious or otherwise nature against any member of our Group in relation to any act, non-performance, omission or otherwise of any member of our Group on or before the date on which the Share Offer becomes unconditional. Please refer to the section headed “(E) Other Information – 1. Tax and other indemnities” in Appendix IV to this prospectus for details of the Deed of Indemnity.

Taking into account the above and the fact that any loss, fee, expense and penalty of our Group in relation to such non-compliance matters will be fully indemnified by our Controlling Shareholders, our Directors consider, and the Sponsor concurs, that the impact of such non-compliance matters would be immaterial to our Group’s operation and financial positions.

No provision was made in the financial statements of our Group in respect of the aforementioned non-compliances as our Directors have taken into consideration the following: (i) up to the Latest Practicable Date, our Directors were not aware of any prosecution instituted against us or any notices for any fine or penalties in relation to the above non-compliances; (ii) even if there is any prosecution, the actual amount of penalty cannot be estimated with reasonable accuracy and the potential maximum penalties of the abovementioned non-compliance incidents are immaterial; (iii) as advised by our Legal Counsel, the likelihood of our Group or our officers being prosecuted, fined or penalised as a result of the non-compliance incidents is remote; and (iv) our Controlling Shareholders shall indemnify our Group pursuant to the Deed of Indemnity.

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

In relation to the non-compliance incidents mentioned above, our Group has engaged an independent internal control adviser (the “**IC Adviser**”) to review and provide recommendations to our internal control designs for preventing the recurrence of the above-mentioned non-compliance incidents. After taking into account the recommendations made by the IC Adviser, our Group has adopted or will adopt the following key measures:

1. with regard to the non-compliance in relation to the Employees’ Compensation Ordinance, (i) our Quality, Safety and Environmental Manager, Mr. Hui Wai Cheong, under the supervision of our executive Director, Mr. Kwok, shall ensure that all our employees’ accidents or injuries will be reported to the Commissioner of Labour within three days through the main contractors or by us; and (ii) we have renewed our insurance policy to cover all employees of our Group and our human resources and administration department headed by our Senior Corporate Administrator, Ms. Tang Rita Pui Ki, will ensure that all existing and future employees of our Group would be covered by a policy of insurance in accordance with the statutory requirement; and
2. with regard to the non-compliance in relation to the Inland Revenue Ordinance, our financial controller, Mr. Lam Sing Hon, will report directly to our Directors and will handle all tax related matters to ensure compliance with the Inland Revenue Ordinance. We will also maintain a checklist for the documents required to be filed by each of our incoming and outgoing employees, including, amongst others, Form 56E and Form 56F, to ensure ongoing compliance. To keep track of our compliance status with respect to the filing of Form 56E and 56F, our accounting officer shall assist our financial controller for the preparation and submission of Form 56E and 56F in accordance with the requirements of the Inland Revenue Ordinance, and our financial controller will be responsible for keeping a filing register up to date on a monthly basis in respect of, among other things, the preparation and filing status of Forms 56E and 56F, and reminding our human resources and administrative department to submit any required Forms 56E and 56F within the prescribed time limit. Further, we will appoint external tax advisers to advise and assist our Board on compliance matters so as to allow us to seek timely professional advice whenever necessary and to ensure compliance with the relevant Hong Kong tax laws and regulations and seek legal advice from external legal adviser if necessary.

Having taking into accounts of the followings:

- (i) our Group’s non-compliance with section 52(4) and 52(5) of the Inland Revenue Ordinance relates to its failure to give notices to the Commissioner of Inland Revenue for the commencement and cessation of employment of its employees by using the prescribed forms (i.e. Form 56E and 56F) within the prescribed time limit. Such non-compliance mainly arose from our Group’s inadequate understanding of the relevant requirements under the Inland Revenue Ordinance;

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- (ii) in view of the underlying causes and nature of our Group's non-compliances as mentioned above, the non-compliances were not willful and there was no indication that our executive Directors had a willful tendency to operate our business in a non-compliant manner;
- (iii) after becoming aware of the requirements under the relevant laws and regulations, our executive Directors and senior management have demonstrated their ability to adopt and implement enhanced internal control measures in order to prevent recurrence of similar non-compliances and to operate our business in a compliant manner going forward. Details of such measures are set out in the section headed "Business – Non-compliance – internal control measures to prevent the recurrence of non-compliance incidents" in this prospectus;
- (iv) there have not been any recurrence of similar non-compliance incidents after the adoption and implementation of the enhanced internal control measures up to the Latest Practicable Date;
- (v) after discovering the non-compliances, our Directors have been made aware of the requirements under the Inland Revenue Ordinance;
- (vi) our Group has implemented (or will implement where applicable) the abovementioned measures to avoid recurrence of the non-compliance incidents, including, in particular, the specific internal control measures for preventing the recurrence of the non-compliant incidents as mentioned above;
- (vii) the non-compliance incidents were unintentional, did not involve any dishonesty or fraudulent act on the part of our executive Directors, and did not raise any question as to the integrity of our executive Directors; and
- (viii) our Group's non-compliance with section 52(4) and 52(5) of the Inland Revenue Ordinance relates to our Group's failure to give notices to the Commissioner of Inland Revenue for the commencement and cessation of employment of its employees by using the prescribed forms (i.e. Form 56E and 56F) within the prescribed time limits inadvertent in nature and, in the opinion of our Legal Counsel, the likelihood of the Inland Revenue Department instituting prosecution against C&H for such non-compliance is minimal. Our Legal Counsel advised that there appears to be no taxative repercussions arising from the non-compliance and there is no evidence showing any scheme of C&H to avoid or diminish its tax liability because our Group had duly filed the relevant employer's returns (Form 56B) which contained the list of employees and their remunerations and pensions and therefore the Inland Revenue Department was kept informed of the employment affairs of our Group despite our Group's failure to file Form 56E and 56F. The Legal Counsel further opined that even if there is any prosecution, the chance of maximum penalty being imposed is low.

The Sponsor considers that the non-compliance incidents would not give rise to the concerns on the ability of our executive Directors to oversee our Company's operation and the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules.

INTERNAL CONTROL AND RISK MANAGEMENT

We endeavour to uphold the integrity of our business by maintaining an internal control and risk management system into our organisational structure. In preparation for the Listing and to further improve our internal control system, in January 2016, we engaged the IC Adviser to perform an evaluation under the Committee of Sponsoring Organisations of the Treadway Commission's 2013 framework of the adequacy and effectiveness of our Group's internal control system including the areas of financial, operation, compliance and risk management.

In March 2016, the IC Adviser completed the first review of our internal control system on, among others, our control environment, risk assessment, control activities, information and communication, monitoring activities, financial reporting and disclosure, human resources and payroll, cash management and treasury, sales and receipts cycle, project management and compliance procedures with Appendix 14 Corporate Governance Code of the Listing Rules. In order to strengthen our internal control system and aside from the key measures taken to prevent the recurrence of the non-compliance incidents stated in the paragraph headed "Non-compliance" of this section, our Group has also adopted or will adopt the following key measures to mitigate the risks relating to our Group:

(i) Customer concentration risk

Please refer to the paragraphs headed "Customers – Customer concentration" and "Customer – Our relationship with China State Construction" above in this section.

(ii) Risk of potential inaccurate costs estimation and cost overrun

Please refer to the paragraph headed "Customers – Pricing Strategy" above in this section to address the risk of potential inaccurate estimation and cost overrun.

(iii) Risk relating to subcontractors' performance

Please refer to the paragraphs headed "Suppliers – Basis of selection of subcontractors" and "Suppliers – Control over subcontractors" above in this section.

(iv) Credit risk relating to the collection of trade receivables and retention receivables

Please refer to the paragraph headed "Customers – Credit management and collection of our trade receivables and retention monies receivables" above in this section.

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(v) *Liquidity risk*

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 our Group's operations and mitigate the effects of fluctuations in cash flows. In addition, our Group relies on unsecured bank borrowings as a significant source of liquidity and the management monitors the utilisation of unsecured bank borrowings.

(vi) *Quality control*

Please refer to the paragraph headed "Quality Control" above in this section.

(vii) *Occupational health and safety*

Please refer to the paragraph headed "Occupational Health and Safety" above in this section.

(viii) *Environmental management*

Please refer to the paragraph headed "Environmental Protection" above in this section.

(ix) *Risk of possible failure, damage or loss of machinery*

Please refer to the paragraph headed "Machinery and Equipment – Repair and maintenance", "Machinery and Equipment – Age and replacement cycle of machinery and equipment" and "Machinery and Equipment – Safekeeping of machinery and equipment" above in this section.

(x) *Corporate governance*

We will comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. We have established three board committees, namely, the audit committee, the nomination committee and the remuneration committee, with respective terms of reference in compliance with the Corporate Governance Code. For details, please refer to the section head "Directors and Senior Management – Committees of the Board of Directors" in this prospectus.

To avoid potential conflicts of interest, we will implement corporate governance measures as set out in the section headed "Relationship with the Controlling Shareholders – Corporate Governance Measures" in this prospectus.

Our Directors will review our corporate governance measures and our compliance with the Corporate Governance Code each financial year and comply with the "comply or explain" principle in our corporate governance reports to be included in our annual reports after Listing.

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(xi) Risk relating to compliance with the Listing Rules after Listing

Our Group has adopted the following measures to ensure continuous compliance with the Listing Rules upon Listing:

- We shall establish system and manuals in relation to, among others, distribution of annual, interim reports and publication, handling and monitoring of inside information prior to public announcement and other requirements under the Listing Rules.
- Our Directors attended training sessions conducted by our legal advisers as to Hong Kong law on the on-going obligations and duties of a director of a company whose shares are listed on the Stock Exchange.
- We have engaged Dakin Capital as our compliance adviser and will, upon Listing, engage a legal adviser as to Hong Kong laws, which will advise and assist our Board on compliance matters in relation to the Listing Rules and/or other relevant laws and regulations applicable to our Company.
- We have established an audit committee which comprises all independent non-executive Directors, namely Mr. Cheung Wai Lun Jacky, Mr. Lee Chi Ming and Mr. Tang Chi Wai. The audit committee has adopted its terms of reference which sets out clearly its duties and obligations to, among other things, overseeing the internal control procedures and accounting and financial reporting matter of our Group, and ensuring compliance with the relevant laws and regulations. For the biographical details of the independent non-executive Directors, please refer to the section headed “Directors and Senior Management” in this prospectus.

We will engage the IC Adviser to have an annual review on the adequacy and effectiveness of our internal control system for the financial year ending 31 March 2017, including areas of financial, operational, compliance and risk management. When considered necessary and appropriate, we will seek professional advice and assistance from independent internal control consultants, external legal advisers and/or other appropriate independent professional advisers with respect to matters related to our internal controls and legal compliance.

In April 2016, the IC Adviser performed a follow up review on our internal control system and we did not note any findings of material weakness or insufficiency in our Group’s internal control system.

View of our Directors and the Sponsor

Having considered that:

- the employees’ compensation and personal injury claim against our Group during the Track Record Period was fully covered by the insurance policies maintained by the relevant main contractor;

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- the non-compliance incidents of our Group did not involve any dishonesty or fraudulent act on the part of our Directors and did not raise any question as to the integrity of our Directors;
- upon discovery of the non-compliance incidents, our Directors immediately carried out remedial actions and had fully rectified all of the non-compliance incidents, if applicable;
- our Group has engaged/will engage external legal advisers for ensuring strict compliance with the relevant laws and regulations, and has also implemented the abovementioned internal control measures to prevent recurrence of the non-compliance incidents; and
- there has been no recurring of similar non-compliance incidents since the implementation of such measures

our Directors confirm, and the Sponsor concurs, that the internal control measures implemented by our Group are sufficient and could effectively ensure a proper internal control system of our Group and prevent any occurrence of non-compliance incident in the future.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS OF OUR COMPANY

Immediately following completion of the Share Offer and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised), Waterfront Palm will control more than 30% of the issued share capital of our Company. Waterfront Palm is an investment holding company owned as to 50% by Ms. Choi, 40% by Mr. Tang and 10% by Mr. Kwok. For the purpose of the Listing Rules, Mr. Tang, Ms. Choi, Mr. Kwok and Waterfront Palm are a group of Controlling Shareholders. As at the Latest Practicable Date, it has not commenced any substantive business activities. Each of Ms. Choi, Mr. Tang, Mr. Kwok and Waterfront Palm confirms that he, she or it does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with the business of our Group, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors believe that our Group is capable of carrying on our Group's business independently from our Controlling Shareholders and their close associates after the Share Offer and the Capitalisation Issue.

Financial independence

Our Group has an independent financial system and makes financial decisions according to our own business needs. Our Group has sufficient capital to operate its business independently, and has adequate internal resources and a strong credit profile to support its daily operations.

During the Track Record Period, our Group had (i) certain amounts due from Mr. Tang and Mr. Kwok, our Controlling Shareholders and our executive Directors and (ii) certain amount due to Chun Hung Development, which is owned as to 50% by Mr. Tang and as to 50% by Ms. Choi, details of which are set out in notes 19 and 22 to the Accountant's Report set out in Appendix I to this prospectus.

During the Track Record Period, Mr. Tang and Ms. Choi, our Controlling Shareholders, had provided personal guarantees in respect of certain bank borrowings and finance leases. Please refer to note 23 and 24 of the Accountants' Report in Appendix I to this prospectus for further details. Our Directors confirm that such personal guarantees provided by Mr. Tang and Ms. Choi will be released or replaced by our Company's corporate guarantee upon the Listing.

During the Track Record Period and up to the Latest Practicable Date, there were two public sector projects awarded by China State Construction in an aggregate contract sum of approximately HK\$303.2 million which involved personal guarantees provided by Mr. Tang and Mr. Kwok, our executive Directors and Controlling Shareholders, in favour of China State Construction. Both projects involve tunnel excavation works for a link road relating to the Hong Kong-Macao-Zhuhai Bridge project. Each of Mr. Tang and Mr. Kwok agreed to provide a personal guarantee as security for the due performance and observance of our Group's obligations under the contracts and agreed to indemnify the customer for any loss or and damage suffered by the customer as a result of our Group's default under the

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

contract, in each case up to 5% of the contract sum. As at the Latest Practicable Date, among those 2 contracts, (i) one contract with a contract sum of approximately HK\$175.9 million was completed in March 2015 and the personal guarantees given by Mr. Tang and Mr. Kwok in respect of such contract were released; (ii) one contract with a contract sum of approximately HK\$127.3 million is still in progress and the relevant personal guarantees provided by Mr. Tang and Mr. Kwok in the total amount of up to 10% of the contract sum (or HK\$12.73 million in aggregate) remain outstanding. In respect of this outstanding contract, to demonstrate our financial independence from our Controlling Shareholders, our Group will voluntarily take out a surety bond before Listing, on a stand-alone basis, from an independent authorised insurer in the amount of up to 10% of the contract sum in favour of China State Construction to secure the due performance of our Group's obligations under this contract. On 5 April 2016, we have obtained a quotation from an insurer, which sets out the indicative terms of the surety bond. The conditions of the surety bond included (i) corporate indemnity from both the Company and C&H and (ii) cash collateral of approximately HK\$1.3 million, representing 10% of the surety bond amount. We expect that annual premium of approximately HK\$76,000 for the issue of the surety bond will be recognised as expenses after the Listing. To the best of our Directors' knowledge, information and having all reasonable enquiries, there is no circumstance that prevents us to take out such surety bond before Listing. The surety bonds and the personal guarantees given by Mr. Tang and Mr. Kwok will be released upon completion of this contract. Our Directors expect completion of this contract to take place in the fourth quarter of 2016. In addition, our Directors decide that, going forward, our Group will not enter into any contract involving similar performance guarantee to be given by our Controlling Shareholders.

Our Directors consider that our Group is financially independent of our Controlling Shareholders taking into account the following:

- According to the Euromonitor Report, it is not uncommon for certain main contractors to require the directors and/or shareholders of subcontractors to provide personal guarantee in the subcontracts as security for the due performance and observance of the subcontract.
- To the best of our Directors' knowledge, information and belief, having made reasonable enquiries, we understand that save for occurrence of any circumstances which materially affect the validity of the contract, China State Construction generally will not amend the terms of the existing contract (including pre-mature release of personal guarantee or replace such personal guarantee by our Company's corporate guarantee or surety bond) during the term of the contract. Therefore, China State Construction has declined our request to grant a pre-mature release of the personal guarantee provided by Mr. Tang and Mr. Kwok.
- Our Directors are of the view that pre-mature release of the personal guarantees without consent of China State Construction as the counterparty will give rise to early termination liabilities as well as practical and commercial difficulties against our Group, and renegotiation of the release of personal guarantees to be replaced by our Company's corporate guarantee or surety bond before Listing may also not be feasible.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- The surety bond to be taken out by us before the Listing will be granted by the insurer without requiring any guarantees or other financial support from our Controlling Shareholders. This demonstrates our Group's financial independence from our Controlling Shareholders.
- Our Directors believe that our Group is capable of complying with the terms and conditions of the guaranteed contract without triggering enforcement of the personal guarantee given by Mr. Tang and Mr. Kwok. During the Track Record Period and up to the Latest Practicable Date, no enforcement of the personal guarantees given by Mr. Tang and Mr. Kwok was triggered and our Group has duly complied with the terms and conditions of the guaranteed contracts in all material respects.

Management independence

Our Company aims at establishing and maintaining a strong and independent Board to oversee our Group's business. Our Board's main function includes the approval of the overall business plans and strategies of our Group, monitoring the implementation of these policies and strategies and the management of our Company. Our Group has an independent management team, which is led by a team of senior management with substantial experience and expertise in our business management, to implement our Group's policies and strategies.

Our Board consists of six Directors, comprising three executive Directors, namely Mr. Tang, Mr. Kwok and Ms. Choi and three independent non-executive Directors. Each of our Directors is aware of his or her fiduciary duties as a Director which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest to exist. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant meeting of our Board in respect of such transactions and shall not be counted in the quorum. Our Directors are of the view that the Board is capable of managing our Group's business independently from the Controlling Shareholders.

Operational independence

Our Group has established its own organisational structure made of individual departments, each with specific areas of responsibilities. We have a clear business delineation with our Controlling Shareholders and as at the Latest Practicable Date, our Group did not share any operational resources, such as office premises, sales and marketing and general administration resources with our Controlling Shareholders and their respective close associates.

During the Track Record Period, we rented machinery and equipment including excavators and dump trucks from Chun Hung Development on normal commercial terms and in our ordinary course of business. Chun Hung Development, a company incorporated in Hong Kong and principally engaged in leasing of construction machinery and equipment, is owned as to 50% by Mr. Tang and 50% by Ms. Choi, our executive Directors and our

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Controlling Shareholders. For the three years ended 31 March 2016, the total machinery rental costs paid to Chun Hung Development amounted to approximately HK\$4.0 million, HK\$1.1 million and HK\$0.2 million, respectively. Such rental arrangement with Chun Hung Development has been completed and ceased. Pursuant to an agreement duly executed on 22 December 2015 between Chun Hung Development and C&H, we acquired six dump trucks owned by Chun Hung Development at a total consideration of HK\$3.6 million. Based on the audited income statement of Chun Hung Development for the three years ended 31 March 2016, the revenue of Chun Hung Development amounted to approximately HK\$6.7 million, HK\$6.0 million and HK\$3.1 million, respectively. During the same period, Chun Hung Development recorded a net loss of approximately HK\$0.5 million, a net loss of HK\$0.2 million and a net profit of HK\$8,771, respectively, for the three years ended 31 March 2016. As at the Latest Practicable Date, Chun Hung Development has ceased business. Given that (i) Chun Hung Development was formerly a service provider of construction machinery leasing which was different from our site formation-oriented business focus; and (ii) Chun Hung Development had subsequently ceased business, our Directors consider that it was in the interest of our Company to exclude Chun Hung Development from our Group.

During the Track Record Period, we had certain other transactions with our related parties, particulars of which are set out in note 29 to the Accountants' Report in Appendix I to this prospectus. The above transactions had been discontinued as at the Latest Practicable Date.

Our Group has also established a set of internal control measures to facilitate the effective operations of its business. Our Group's customers and suppliers (save as those disclosed in the section "Financial Information – Related Party Transactions") are all independent from our Controlling Shareholders. Our Group does not rely on our Controlling Shareholders or their respective close associates and have its independent access to customers and suppliers. Our Directors consider that our Group's operations do not depend on our Controlling Shareholders because (i) there is no competing business between our Group and any of our Controlling Shareholders; and (ii) our Group will not be relying on any guarantee provided by any of our Controlling Shareholders in respect of bank borrowings nor have our Group given any guarantee for the benefit of any of our Controlling Shareholders upon Listing.

On the basis of the above, our Directors believe that our Group is capable of carrying on its business independently of our Controlling Shareholders and their respective close associates.

RULE 8.10 OF THE LISTING RULES

The Controlling Shareholders, our Directors and their respective close associates do not have any interest in a business (apart from our Group's business) which competes and is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 8.10 of the Listing Rules.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

NON-COMPETITION UNDERTAKING

In order to avoid any possible future competition between our Group and the Controlling Shareholders, each of Ms. Choi, Mr. Tang, Mr. Kwok and Waterfront Palm (each a “Covenantor” and collectively the “Covenantors”) has entered into a Deed of Non-competition with our Company (for itself and for the benefit of each other member of our Group) on 20 September 2016. Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to our Company (for itself and as trustee for its subsidiaries) that, during the period that the Deed of Non-competition remains effective, that he/she/it shall not, and shall procure his/her/its close associates (other than any members of our Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of our Group.

Each of the Covenantors further undertakes that if he/she/it or his/her/its close associates other than any member of our Group is offered or becomes aware of any business opportunity which may compete with the business of our Group, he/she/it shall (and he/she/it shall procure his/her/its close associates to) notify our Group in writing and our Group shall have a right of first refusal to take up such business opportunity. Our Group shall, within 30 days after receipt of the written notice (or such longer period if our Group is required to complete any approval procedures as set out under the Listing Rules from time to time), notify the Covenantor(s) whether our Group will exercise the right of first refusal or not.

Our Group shall only exercise the right of first refusal upon the approval of all our independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of our independent non-executive Directors for considering whether or not to exercise the right of first refusal.

The undertakings contained in the Deed of Non-competition are conditional upon the Listing Committee granting approval for the listing of and permission to deal in the Shares on the Stock Exchange and all conditions precedent under the Underwriting Agreements having been fulfilled (or where applicable, waived) and the Underwriting Agreements not having been terminated in accordance with its terms. If any such condition is not fulfilled on or before the date falling 30 days after the date of this prospectus (or if such date is not a Business Day, the immediate preceding Business Day), the Deed of Non-competition shall lapse and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed of Non-competition.

The Deed of Non-competition shall terminate on (i) in relation to any Covenantor, the date on which he/she/it together with his/her/its close associates, whether individually or taken together, ceases to be interested in 30% (or such other amount as may from time to time be specified in the Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the entire issued share capital of our Company; or (ii)

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

the date on which the Shares shall cease to be listed and traded on the Stock Exchange (except for temporary trading halt or suspension of trading of the Shares on the Stock Exchange due to any reason).

CORPORATE GOVERNANCE MEASURES

Each of the Controlling Shareholders has confirmed that he/she/it fully comprehends his/her/its obligations to act in the best interests of our Company and its Shareholders as a whole. To avoid potential conflicts of interest, our Group will implement the following measures:

- (i) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors (or their associates), the interested Directors shall abstain from voting at the relevant Board meeting and shall not be counted in the quorum;
- (ii) the Covenantors will make an annual confirmation as to compliance with his/her/its undertaking under the Deed of Non-competition for inclusion in the annual report of our Company;
- (iii) the Board is committed to the view that the Board should include a balanced composition of executive and independent non-executive Directors so that there is a strong independent element on the Board which can effectively exercise independent judgement. Our Company has appointed three independent non-executive Directors. Our Directors believe that our independent non-executive Directors are of sufficient caliber, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide impartial and professional advice to protect the interests of the minority Shareholders. Details of our independent non-executive Directors are set out in the section “Directors and Senior Management” in this prospectus;
- (iv) our Company has appointed Dakin Capital as the compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors’ duties and internal controls. Please refer to the section “Directors and Senior Management – Compliance Advisor” in this prospectus for details in relation to the appointment of compliance adviser;
- (v) the Controlling Shareholders undertake to provide all information requested by our Group which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition; and
- (vi) our independent non-executive Directors will, based on the information available to them, review on an annual basis (i) the compliance with the Deed of Non-competition; and (ii) all the decisions taken in relation to whether to pursue the new opportunity under the Deed of Non-competition. Findings of such review will be disclosed in our annual report after the Listing.

DIRECTORS AND SENIOR MANAGEMENT

OVERVIEW

Our Board currently consists of six Directors, comprising three executive Directors and three independent non-executive Directors. Our Directors are supported by our senior management in the day-to-day management of our business.

The following table sets out the information in respect of our Directors and our senior management:

Directors

Name	Age	Position	Date of joining our Group	Date of appointment as Director of our Company	Principal responsibilities	Relationship with other Director(s) and/or senior management
Mr. TANG Man On (鄧民安先生)	61	Executive Director and our Chairman	December 2001	March 2016	Responsible for overall business development strategy and overseeing day-to-day management of site operations of our Group	Spouse of Ms. Choi, father of Ms. Tang Rita Pui Ki and Mr. Hui Wai Cheong
Mr. KWOK Hoi Chiu (郭海釗先生)	39	Executive Director and our Chief Executive Officer	October 2012	March 2016	Responsible for general management and overseeing the engineering and technical aspects of various projects of our Group	N/A
Ms. CHOI Chun Chi Sandy (蔡俊芝女士)	56	Executive Director	December 2001	March 2016	Responsible for overseeing the administration matters of our Group	Spouse of Mr. Tang, mother of Ms. Tang Rita Pui Ki and Mr. Hui Wai Cheong
Mr. CHEUNG Wai Lun Jacky (張偉倫先生)	43	Independent non-executive Director	20 September 2016	20 September 2016	Performing the role as independent non-executive director, chairman of the remuneration committee and a member of the audit committee and the nomination committee	N/A
Mr. LEE Chi Ming (李智明先生)	59	Independent non-executive Director	20 September 2016	20 September 2016	Performing the role as independent non-executive director, chairman of the nomination committee and a member of the audit committee and the remuneration committee	N/A
Mr. TANG Chi Wai (鄧智偉先生)	43	Independent non-executive Director	20 September 2016	20 September 2016	Performing the role as independent non-executive director, chairman of the audit committee and a member of the remuneration committee and the nomination committee	N/A

DIRECTORS AND SENIOR MANAGEMENT

Senior Management

Name	Age	Position	Date of joining our Group	Date of appointment of current position	Principal responsibilities	Relationship with other Director(s) and/or senior management
Ms. TANG Rita Pui Ki (鄧珮淇女士)	34	Senior Corporate Administrator	August 2003	August 2010	Responsible for overseeing the corporate and administrative matters of our Group	Daughter of Ms. Choi and Mr. Tang and sister of Mr. Hui Wai Cheong
Mr. HUI Wai Cheong (許瑋昌先生)	29	Quality, Safety and Environmental Manager	November 2011	March 2015	Responsible for monitoring the health, safety and environmental compliance of our Group and maintaining quality control of our business	Son of Ms. Choi and Mr. Tang and brother of Ms. Tang Rita Pui Ki
Mr. LAM Sing Hon (林昇翰先生)	31	Financial Controller	December 2015	December 2015	Responsible for overseeing our Group's overall financial accounting and reporting as well as corporate finance matters	N/A

DIRECTORS

Executive Directors

Mr. TANG Man On (鄧民安先生), aged 61, is our executive Director, Chairman and a director of Honestly Luck, Tall Too and C&H. Mr. Tang is also one of our Controlling Shareholders. He has over 40 years of experience in construction industry in Hong Kong. Mr. Tang is primarily responsible for formulation of overall business development strategy and overseeing day-to-day management of site operations of our Group. Mr. Tang joined our Group as the chief engineer in December 2001, and was subsequently appointed as a director of C&H in November 2004. Prior to joining our Group, from 1970 to 1979, Mr. Tang worked as a machine operator in various construction companies in Hong Kong where he started to gain exposure to execution of construction projects. During the period between 1979 and early 1990s, he ran his own business through the sole proprietorships established by himself where he engaged in the rental of machinery for construction works in Hong Kong. Mr. Tang was also a director of three construction companies, namely, Civil-works Contractor Company Limited, Man Lee Engineering Limited and Sheung Fat Construction & Engineering Limited during the period between December 1996 and December 2004, between January 1997 and November 2005 and between September 1998 and September 2000, respectively, where Mr. Tang was responsible for overseeing site formation projects and other construction projects in Hong Kong. Mr. Tang attended primary school education in Hong Kong from 1961 to 1966.

Mr. Tang is the spouse of Ms. Choi, our executive Director. He is also the father of Ms. Tang Rita Pui Ki, our Senior Corporate Administrator, and Mr. Hui Wai Cheong, our Quality, Safety and Environmental Manager.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Tang was a director of the following companies in Hong Kong prior to their respective dissolutions:

Name of company	Principal business activity prior to dissolution	Date of dissolution	Means of dissolution	Reason for dissolution
Sheung Fat Construction & Engineering Limited (常發建築工程有限公司)	Construction	29 September 2000	Deregistration under section 291AA of the Predecessor Companies Ordinance	Cessation of business
Civil-works Contractor Company Limited (土木建設有限公司)	Construction	10 December 2004	Striking off under section 291 of the Predecessor Companies Ordinance	Cessation of business
Man Lee Engineering Limited (民利工程有限公司)	Construction	4 November 2005	Striking off under section 291 of the Predecessor Companies Ordinance	Cessation of business
Lucky Bond Development Limited (彩邦發展有限公司)	Food business	25 July 2003	Compulsory winding up	Cessation of business ^(Note)

Note:

Lucky Bond Development Limited (“**Lucky Bond**”) was incorporated in Hong Kong on 11 March 1986 with limited liability and was principally engaged in food business. Lucky Bond was indebted to an independent third party in a sum of HK\$23,475.7, being severance pay and wages in lieu of notice of dismissal, annual leave pay, pro-rata double pay and statutory holiday pay. Since Lucky Bond was insolvent and unable to pay such debts because of financial difficulty, compulsory winding up proceedings were initiated against Lucky Bond upon a petition filed by an independent third party to the court on 10 March 2000 seeking a court order to wind up Lucky Bond. Based on the documents filed with the court and available for inspection, to the best of our Directors’ knowledge, information and belief having made reasonable enquiry, there was no judgement or findings of fraud, dishonesty, any misconduct or wrongful act on the part of Mr. Tang involved in the dissolution of Lucky Bond.

Mr. Tang confirmed that there is no wrongful act on his part leading to the dissolutions and is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolutions, and that his involvement in the above companies was part and parcel of his services as a director of these companies and that no misconduct or misfeasance had been involved in the dissolutions of these companies.

Mr. Tang was adjudged bankrupt by virtue of a bankruptcy order made by the High Court of Hong Kong on 21 March 2000 as a result of the bankruptcy petitions made by Sanwa Finance Hong Kong Limited (the “**Creditor**”) against him on 17 December 1999 for his default in repayment of a loan in the sum of approximately HK\$514,000 together with interest of approximately HK\$417,000 (the “**Loan**”) due to the Creditor under several hire purchase agreements. By the expiration of four years since his bankruptcy order, Mr. Tang

DIRECTORS AND SENIOR MANAGEMENT

was discharged from bankruptcy pursuant to section 30A of the Bankruptcy Ordinance (Chapter 6 of the Laws of Hong Kong) on 21 March 2004. Having regard to (i) the discharge of Mr. Tang's bankruptcy in 2004; (ii) the fact that our Directors were not aware that his bankruptcy resulted from or was related to dishonesty or any integrity issue; (iii) Mr. Tang's work experience as well as contribution to the success of our Group, our Directors believe that Mr. Tang has the character, experience and integrity to act as a Director and will be able to demonstrate a standard of competence commensurate with his position as a director of a listed issuer as required under the Listing Rules.

During the three years immediately preceding the Latest Practicable Date, Mr. Tang has not been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas.

Mr KWOK Hoi Chiu (郭海釗先生), aged 39, is our executive Director and Chief Executive Officer as well as a director of Honestly Luck, Tall Too and C&H. Mr. Kwok is also one of our Controlling Shareholders. He has over nine years of experience in contract management for different construction projects in Hong Kong. Mr. Kwok joined our Group as a technical director of C&H in October 2012 and was appointed as a director of C&H in January 2015. He is primarily responsible for general management and overseeing the engineering and technical aspects of various projects of our Group.

Prior to joining our Group, Mr. Kwok's working experience is as follows:

Name of organisation	Principal business activities	Position	Period of services
Maeda – Barbican – Hsin Chong Joint Venture	Construction	Site Engineer	December 2003 – July 2006
Penta-Ocean Construction Co., Ltd.	Construction	Planning and Coordination Manager	January 2010 – September 2010
Dragages Hong Kong Ltd.	Construction	Construction manager	October 2010 – October 2011
Construction Industry Council	Statutory body promoting interests of the construction industry	Development and Support Services Manager	October 2011 – August 2012

Mr. Kwok obtained a Bachelor of Engineering – Civil degree from McGill University, Canada in May 2001. He has been a Corporate Member of Institution of Civil Engineers in the United Kingdom since December 2009, a Chartered Engineer in the United Kingdom since January 2010, a Registered Professional Engineer in Hong Kong since June 2011 and a Corporate Member of The Hong Kong Institution of Engineers since June 2011. He was also admitted as a Building Environmental Assessment Method Professional in August 2011. Mr. Kwok became an Ordinary Member of Hong Kong Construction Arbitration Centre, Limited in 2011 and served as its Council Member from 2012 to 2013, and has been its Fellow Member since February 2013. From 2012 to 2014, he also served as a Committee Member of Institution of Civil Engineers Hong Kong Association.

DIRECTORS AND SENIOR MANAGEMENT

During the three years immediately preceding the Latest Practicable Date, Mr. Kwok has not been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas.

Ms. CHOI Chun Chi Sandy (蔡俊芝女士), aged 56, is the founder, our executive Director and a director of Honestly Luck, Tall Too and C&H. Ms. Choi is also one of our Controlling Shareholders. Since December 2001, Ms. Choi has been primarily responsible for overseeing the administration matters of our Group. Prior to establishing our Group, Ms. Choi has accumulated years of experience in business management and administration in beauty service industry. Ms. Choi completed five-year secondary education in Hong Kong in June 1977.

Ms. Choi is the spouse of Mr. Tang, our executive Director. She is also the mother of Ms. Tang Rita Pui Ki, our Senior Corporate Administrator, and Mr. Hui Wai Cheong, our Quality, Safety and Environmental Manager.

During the three years immediately preceding the Latest Practicable Date, Ms. Choi has not been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas.

Independent non-executive Directors

Mr. CHEUNG Wai Lun Jacky (張偉倫先生), aged 43, is our independent non-executive Director. He obtained a Bachelor of Laws degree and a Postgraduate Certificate in Laws from The University of Hong Kong in November 1995 and June 1996 respectively. He was admitted as a solicitor of the High Court of Hong Kong in November 1998 and is currently a practising solicitor in Hong Kong. Mr. Cheung has over 17 years of post-qualification experience in the legal profession. From September 2001 to December 2007 and from November 2008 to September 2012, Mr. Cheung worked as a senior associate at Mayer Brown JSM (formerly known as JSM from January 2008 to April 2010 and Johnson Stokes & Master until January 2008), a Hong Kong-based law firm. From June 2013 to March 2015, he served as an associate and was further promoted to a partner in D.S. Cheung & Co., a law firm in Hong Kong. Since April 2015, Mr. Cheung has been a consultant at Pang & Co. in association with Loeb & Loeb LLP, a law firm in Hong Kong.

Mr. Cheung had not been a director of any public companies the securities of which are listed on any securities market in Hong Kong or overseas for the three years immediately preceding the Latest Practicable Date.

Mr. LEE Chi Ming (李智明先生), aged 59, is our independent non-executive Director. From August 1983 to July 2012, Mr. Lee served the Water Supplies Department of the Hong Kong Government. Mr. Lee's last position with the Hong Kong Government was Chief Engineer in Water Supplies Department, which principal functions include, among others, designing and constructing waterworks projects and planning and managing water resources and water supply systems.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lee obtained a Bachelor of Science in Engineering, Master of Science in Urban Planning and Master of Science in Interdisciplinary Design and Management from The University of Hong Kong in November 1980, November 1987 and December 2006, respectively. He is currently a chartered engineer, a fellow of the Institution of Civil Engineers and a member of the Hong Kong Institution of Engineers.

Mr. Lee was admitted as a member of the Council of the Institution of Civil Engineers (Hong Kong Association) in 2013 and was its chairman between 2013 and 2015. He is also a member of the Hong Kong Institution of Engineers since 1985. Since 2015, he has been the chairman of the Board of “Carboncare Innolab”, a non-government organisation which is dedicated to the nurturing and development of innovative solutions in response to the climate change challenge. He is also the vice-chairman of Land Watch, a local think tank with the objectives to carry out research and to advocate policies in relation to land, housing, planning and development, conservation and heritage in Hong Kong, since 2012. Mr. Lee was a member of the Council of the Hong Kong Examination and Assessment Authority between 2004 and 2007. During the period, he was appointed the Vice-chairman of the Finance and General Purposes Committee and the Finance and Audit Committee as well as a member of the Appeal Review Committee.

Mr. Lee was a director of the following company in Hong Kong prior to its dissolution:

Name of company	Principal business activity prior to dissolution	Date of dissolution	Means of dissolution	Reason for dissolution
Ever Prosperous Packing Materials Investments Limited (裕安包裝物料投資發展有限公司)	Packaging	17 June 2002	Compulsory winding up	Cessation of business ^(Note)

Note:

Ever Prosperous Packing Materials Investments Limited (“**Ever Prosperous**”) was incorporated in Hong Kong on 10 November 1989 with limited liability and was principally engaged in packaging business. Mr. Lee confirmed that to the best of his knowledge, information and belief having made all reasonable enquiries, since Ever Prosperous was insolvent and unable to pay its debt because of financial difficulty, compulsory winding up proceedings were initiated against Ever Prosperous upon a petition filed by an independent third party to the court on 12 August 1994 seeking a court order to wind up Ever Prosperous. Based on the documents filed with the court and available for inspection, to the best of our Directors’ knowledge, information and belief having made reasonable enquiry, there was no judgement or findings of fraud, dishonesty, any misconduct or wrongful act on the part of Mr. Lee involved in the dissolution of Ever Prosperous.

Mr. Lee confirmed that there is no wrongful act on his part leading to the dissolution of the above company and is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution, and that his involvement in the above company was part and parcel of his services as a director of the company and that no misconduct or misfeasance had been involved in the dissolution of the company.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lee had not been a director of any public companies the securities of which are listed on any securities market in Hong Kong or overseas for the three years immediately preceding the Latest Practicable Date.

Mr. TANG Chi Wai (鄧智偉先生) (“**Mr. CW Tang**”), aged 43, is our independent non-executive Director. Mr. CW Tang has over 19 years of experience in auditing and accounting. Mr. CW Tang has been serving as a financial controller, company secretary and authorised representative of Universal Technologies Holdings Limited (a company listed on the Main Board of the Stock Exchange (stock code: 1026) and principally engaged in investments holding, provision of payment solutions, properties investment and management, water supply business and timber business) since June 2008. From November 2003 to November 2007, Mr. CW Tang also served as a finance manager at Valueplus Supply Chain Solution Limited, a company principally engaged in coordinating various logistics services and warehousing services. From December 1996 to April 2001, he worked as an auditor in Deloitte Touche Tohmatsu.

Mr. CW Tang graduated from The Hong Kong Polytechnic University with a Bachelor of Arts (Honours) degree in Accountancy in November 1996. He has been a practising Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants since April 2001 and a Certified Internal Auditor of the Institute of Internal Auditors since November 2015. Mr. Tang has also been a holder of the Practitioner’s Endorsement from the Hong Kong Institute of Chartered Secretaries since August 2015. Over the years, Mr. CW Tang has also obtained various professional qualifications and memberships including the following:

Professional qualifications	Date of admission
Member of Chinese Institute of Certified Public Accountants	September 2003
Fellow member of the Association of Chartered Certified Accountants	January 2005
Fellow member of the Hong Kong Institute of Certified Public Accountants	September 2009
Fellow member of Institute of Chartered Secretaries and Administrators	July 2015
Fellow member of Hong Kong Institute of Chartered Secretaries	July 2015

Mr. CW Tang had not been a director of any public companies the securities of which are listed on any securities market in Hong Kong or overseas for the three years immediately preceding the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

Directors' interest

Save as disclosed in this section, each of our Directors (i) did not hold other positions in our Company or other members of our Group as of the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or Controlling Shareholders of our Company as of the Latest Practicable Date; and (iii) did not hold any directorship in any other listed companies in the three years immediately preceding the Latest Practicable Date.

To the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, save as disclosed in this section, there was no additional matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders, and there was no additional information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

SENIOR MANAGEMENT

Ms. TANG Rita Pui Ki (鄧珮淇女士), aged 34, is our Senior Corporate Administrator and was appointed to the current position in August 2010. She is primarily responsible for managing and supervising the corporate and administrative matters of our Group. Ms. Tang joined our Group in August 2003 as a clerk. She worked as an administrative assistant in our Group between September 2004 and November 2006. Ms. Tang was promoted to administrative officer in December 2006 and further promoted to senior administrative officer in December 2008. Ms. Tang completed the 42-hour Construction Safety Supervisor Course organised by the Construction Industry Council in June 2005 and the Yi Jin Programme organised by the Federation for Continuing Education in Tertiary Institutions in October 2012.

Ms. Tang is the daughter of Ms. Choi and Mr. Tang who are our executive Directors. She is also the sister of Mr. Hui Wai Cheong, our Quality, Safety and Environmental Manager.

Mr. HUI Wai Cheong (許瑋昌先生), aged 29, is our Quality, Safety and Environmental Manager. He has over four years of experience in safety management in construction projects. Mr. Hui is responsible for implementing our quality control, safety and environmental management system and monitoring compliance of health, safety and environmental issues. Mr. Hui joined our Group as a Quality, Safety and Environmental consultant in November 2011 and was promoted to the current position in March 2015. Between September 2010 and February 2016, Mr. Hui also worked at Vibro (H.K.) Limited, a civil engineering construction company in Hong Kong as an assistant safety officer and was later promoted to senior safety officer. He was responsible for implementing site safety measures and monitoring day-to-day site safety management.

Mr. Hui obtained a Bachelor of Engineering in Mechanical Engineering (Building Services) and a Master of Science in Intelligent Building Technology and Management from The Hong Kong University of Science and Technology in November 2009 and November

DIRECTORS AND SENIOR MANAGEMENT

2010, respectively. He also obtained a diploma in Occupational Safety and Health from HKU School of Professional and Continuing Education in September 2011. Mr. Hui is a safety officer registered with the Labour Department.

Mr. Hui is the son of Ms. Choi and Mr. Tang who are our executive Directors. He is also the brother of Ms. Tang, our Senior Corporate Administrator.

Mr. LAM Sing Hon(林昇翰先生), aged 31, is our Financial Controller responsible for overseeing our Group's overall financial accounting and reporting as well as corporate finance matters. He has over seven years of experience in auditing and accounting. Prior to joining our Group in December 2015, Mr. Lam worked as an auditor at RSM Nelson Wheeler, a CPA firm in Hong Kong, from November 2011 to March 2014. From January 2015 to November 2015, Mr. Lam was the financial controller of Progressive Foundation Company Limited, a company principally engaged in the provision of foundation engineering works and project management business in Hong Kong and a subsidiary of LEAP Holdings Group Limited (a company whose shares are listed on the Stock Exchange (stock code: 1499)). He was responsible for overseeing the financial operations of the group.

Mr. Lam obtained the Bachelor of Business (Accounting) from Monash University in Australia in May 2008. He has been a qualified CPA in Australia since September 2012.

None of our senior management members had been a director of any public companies the securities of which are listed on any securities market in Hong Kong or overseas for the three years immediately preceding the Latest Practicable Date.

COMPANY SECRETARY

Ms. Lee Ka Man (李嘉文女士), aged 42, is the company secretary of our Company. Ms. Lee is an associate member of both The Institute of Chartered Secretaries & Administrators in the United Kingdom and The Hong Kong Institute of Company Secretaries. She obtained a master degree in Business Administration from The Open University of Hong Kong in 2004. She has more than 15 years of experience in the field of company secretarial services and is the company secretary of Advanced Card Systems Holdings Limited, a company listed on the Stock Exchange (stock code: 2086).

COMMITTEES OF THE BOARD OF DIRECTORS

Our Board delegates certain responsibilities to various committees. In accordance with our Articles of Association and the Listing Rules, we have formed three board committees, namely, the audit committee, the remuneration committee and the nomination committee.

Audit committee

Our Company established an audit committee in compliance with Rule 3.21 of the Listing Rules with written terms of reference in compliance with the Corporate Governance Code. Our audit committee consists of Mr. Tang Chi Wai, Mr. Cheung Wai Lun Jacky and Mr. Lee Chi Ming. Mr. Tang Chi Wai currently serves as the chairman of the audit committee.

DIRECTORS AND SENIOR MANAGEMENT

The principal responsibilities of the audit committee include:

- reviewing our Company's annual financial statements;
- reviewing and monitoring the extent of the non-audit work undertaken by external auditors;
- advising on the appointment of external auditors; and
- reviewing the effectiveness of our Company's internal audit activities, internal controls and risk management systems.

Remuneration committee

Our Company established a remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules. Our remuneration committee consists of Mr. Cheung Wai Lun Jacky, Mr. Lee Chi Ming and Mr. Tang Chi Wai. Mr. Cheung Wai Lun Jacky currently serves as the chairman of the remuneration committee.

The principal responsibilities of the remuneration committee include:

- making recommendations to our Board on our Company's policy on executive Director's remuneration;
- determining, the individual remuneration and benefits package of each of our executive Directors; and
- recommending and monitoring the remuneration of senior management below Board level.

Nomination committee

Our Company established a nomination committee in compliance with written terms of reference in compliance with the Corporate Governance Code. Our nomination committee consists of Mr. Lee Chi Ming, Mr. Cheung Wai Lun Jacky and Mr. Tang Chi Wai. Mr. Lee Chi Ming currently serves as the chairman of the nomination committee.

The principal responsibilities of the nomination committee include:

- assisting our Board in discharging its responsibilities relating to the composition of our Board;
- evaluating the balance of skills, knowledge and experience on our Board;
- evaluating the size, structure and composition of our Board; and
- evaluating the retirements and appointments of additional and replacement directors and making appropriate recommendations to our Board on such matters.

DIRECTORS AND SENIOR MANAGEMENT

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors receive compensation in the form of Directors fees, salaries, allowances, discretionary bonuses and other benefits as well as contributions to retirement benefit schemes. The total compensation paid or payable to our Directors for the three years ended 31 March 2014, 2015 and 2016 was approximately HK\$0.8 million, HK\$1.1 million and HK\$2.5 million, respectively.

The aggregate compensation (including Directors fees, salaries, discretionary bonus, contributions to retirement benefit schemes, pension, allowances and other benefits) paid to our five highest paid individuals during the three years ended 31 March 2014, 2015 and 2016 was approximately HK\$2.9 million, HK\$4.4 million and HK\$4.8 million, respectively. Under the arrangement currently in force, we estimate the total compensation (including Directors fees, salaries, discretionary bonus, contributions to retirement benefit schemes, pension), to be paid or accrued to our Directors for the year ending 31 March 2017 to be approximately HK\$3.2 million.

We did not pay to our Directors or the five highest paid individuals any inducement fees to join us or as compensation for loss of office for each of three years ended 31 March 2014, 2015 and 2016. Furthermore, none of our Directors waived any compensation for the same period.

Save as disclosed above, no other payments has been paid or is payable, in respect of the three years ended 31 March 2014, 2015 and 2016 by us or any of our subsidiaries to our Directors.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme, the purpose of which is to motivate the relevant participants to optimise their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group. The principal terms of this scheme are summarised in the paragraph headed “(D) Share Option Scheme” in Appendix IV to this prospectus.

The maximum number of Shares which may be issued, upon exercise of all options that may be granted under the Share Option Scheme and any other option scheme involving the issue or grant of options over Shares or other securities by our Company or any of its subsidiaries or invested entity shall not in aggregate exceed 10% of the Shares in issue as of the date of Listing (assuming the Over-allotment Option is not exercised); and the Board has been authorised to determine the grant of a right to subscribe for Shares under, and pursuant to the terms of the Share Option Scheme and to determine the grantees, number of options to be granted to each grantee and the terms and conditions of such grants pursuant to the terms of, the Share Option Scheme.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISOR

We have appointed Dakin Capital to be our compliance advisor upon Listing in compliance with Rule 3A.19 of the Listing Rules. We have entered into a compliance advisor's agreement with the compliance advisor prior to the Listing Date, the material terms of which are as follows:

- the term of appointment of the compliance advisor will commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date (i.e. the date of despatch of the annual reports of our Company in respect of our results for the financial year ending 31 March 2018), or until the agreement is terminated, whichever is earlier;
- the compliance advisor will provide us with certain services, including guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines and advice on the continuing requirements under the Listing Rules and applicable laws and regulations;
- our Company will consult with and, if necessary, seek advice from Dakin Capital as our compliance adviser in the following circumstances:
 - (a) before the publication of any regulator announcement, circular or financial report;
 - (b) where a transaction which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
 - (c) where our Company intends to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviates from any forecast, estimate or other information in this prospectus; and
 - (d) where the Stock Exchange makes any enquiry to our Company under Rule 13.10 of the Listing Rules; and
- the compliance advisor will serve as a channel of communication with the Stock Exchange.

STAFF

Please refer to the section headed "Business – Employees" of this prospectus for details relating to the number of staff, staff benefits, training and recruitment policy of our Group.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares to be issued upon exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), the following persons will have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Our Company

Name of Shareholder	Capacity/Nature of interest	Number of Shares held/ interested in <i>(Note 1)</i>	Percentage of shareholding immediately after completion of the Share Offer and the Capitalisation Issue
Waterfront Palm	Beneficial owner <i>(Note 2)</i>	555,000,000 (L)	75%
Mr. Tang	Interest of a controlled corporation and interest of spouse <i>(Note 3)</i>	555,000,000 (L)	75%
Ms. Choi	Interest of a controlled corporation and interest of spouse <i>(Note 4)</i>	555,000,000 (L)	75%

Notes:

1. The letter "L" demonstrates long position.
2. Waterfront Palm is beneficially owned as to 50% by Ms. Choi, as to 40% by Mr. Tang and as to 10% by Mr. Kwok.
3. Mr. Tang beneficially owns 40% of the issued shares of Waterfront Palm. Therefore, Mr. Tang is deemed, or taken to be, interested in 555,000,000 Shares held by Waterfront Palm for the purpose of the SFO. Ms. Choi is the spouse of Mr. Tang.
4. Ms. Choi beneficially owns 50% of the issued shares of Waterfront Palm. Therefore, Ms. Choi is deemed, or taken to be, interested in 555,000,000 Shares held by Waterfront Palm for the purpose of the SFO. Mr. Tang is the spouse of Ms. Choi.

Immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Share to be issued upon exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), in view of the concert party arrangement among Mr. Tang, Ms. Choi and Mr. Kwok, details of which are set out in the section headed "History and Development – Concert Party Arrangement" in this prospectus, Mr. Tang, Ms. Choi and Mr. Kwok, who will, through Waterfront Palm, control an aggregate of 555,000,000 Shares, representing 75% of the enlarged issued share capital of our Company. Hence, Mr. Tang, Ms. Choi, Mr. Kwok and Waterfront Palm are a group of Controlling Shareholders within the meaning of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares to be issued upon exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), have interests or short positions in the Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of its subsidiaries.

SHARE CAPITAL

SHARE CAPITAL

The share capital of our Company immediately following the Share Offer, without taking into account any Shares to be issued upon exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme will be as follows:

<i>Authorised share capital</i>		<i>HK\$</i>
<u>2,000,000,000</u> Shares		<u>20,000,000</u>
<i>Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Share Offer:</i>		
10,000 Shares in issue		100
599,990,000 Shares to be issued pursuant to the Capitalisation Issue		5,999,900
<u>140,000,000</u> Shares to be issued pursuant to the Share Offer		<u>1,400,000</u>
<u>740,000,000</u> Shares		<u>7,400,000</u>

MINIMUM PUBLIC FLOAT

At least 25% of the total issued share capital of our Company must at all times be held by the public. The 185,000,000 Offer Shares represent not less than 25% of the issued share capital of our Company upon Listing.

RANKING

The Offer Shares will rank pari passu in all respects with all our Shares now in issue or to be issued as mentioned in this prospectus, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of Listing.

CAPITALISATION ISSUE

Pursuant to the resolutions of our sole Shareholder passed on 20 September 2016, subject to the share premium account of our Company being credited as a result of the Share Offer, our Directors are authorised to allot and issue a total of 599,990,000 Shares credited as fully paid at par to Waterfront Palm (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK\$5,999,900 standing to the credit of the share premium account of our Company, and our Shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing issued Shares.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the section “Structure and Conditions of the Share Offer – Conditions of the Share Offer”, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of our Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

- (a) 20% of the number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding our Shares to be issued upon exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme); and
- (b) the number of Shares repurchased pursuant to the authority granted to our Directors referred to in the paragraph “General Mandate to Repurchase Shares” in this section.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of any option which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company; or
- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For details of this general mandate, please refer to the paragraph “(A) Further Information about Our Company – 3. Written resolutions of our sole Shareholder passed on 20 September 2016” in Appendix IV to this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the conditions as stated in the section “Structure and Conditions of the Share Offer – Conditions of the Share Offer”, our Directors have been granted a general unconditional mandate to exercise all powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange which is recognised by the SFC and the Stock Exchange for this purpose) with an aggregate nominal value of not more than 10% of the number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding our Shares to be issued upon exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph “(A) Further Information about Our Company – 6. Repurchase of our Shares by our Company” in Appendix IV to this prospectus.

The general mandate to repurchase Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company; or
- (b) the expiration of the period within which the next annual general meeting is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For details of this general mandate, please refer to the paragraphs “(A) Further Information about Our Company – 3. Written resolutions of our sole Shareholder passed on 20 September 2016” and “(A) Further Information about Our Company – 6. Repurchase of our Shares by our Company” in Appendix IV to this prospectus.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarised in the paragraph “(D) Share Option Scheme” in Appendix IV to this prospectus.

Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into our Shares as at the Latest Practicable Date.

SHARE CAPITAL

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, we will hold general meetings as prescribed for under our Articles, a summary of which is set out in Appendix III to this prospectus.

FINANCIAL INFORMATION

The following discussion and analysis of our Group's financial position and results of operations should be read in conjunction with our Group's combined financial information as of and for each of the three years ended 31 March 2016, including the notes thereto, included in the Accountants' Report set out in Appendix I to this prospectus. The financial statements have been prepared in accordance with HKFRSs. Prospective investors should read the whole of the Accountants' Report and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected in the forward-looking statements. For additional information regarding these risks and uncertainties, please refer to the section headed "Risk Factors" in this prospectus.

OVERVIEW

We mainly perform site formation works in Hong Kong as a subcontractor.

We have over 14 years of experience in undertaking site formation works in Hong Kong. As a subcontractor, we provide our customers with comprehensive site formation solutions which generally include (a) general earthworks (including soil and rock excavation, disposal of construction and demolition materials, backfilling and compaction for forming a new site or achieving designed formation level for later development); (b) tunnel excavation works (including rock excavation works for construction of tunnels through drill and break and/or drill and blast methods as well as construction of associated temporary tunnel support structures); (c) foundation works (including ELS works and associated structural works for construction of pile caps for commercial and residential building projects); and (d) road and drainage works (including construction of access roads and drainage systems at construction sites). As part of our ancillary services, we also undertake steel fabrication and installation of steel working platform as a subcontractor.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition have been and will continue to be affected by a number of factors, including those set out below and in the section headed "Risk Factors" in this prospectus:

Reliance on the availability of public sector site formation projects in Hong Kong

We have relied and will continue to focus on public sector site formation projects awarded by their nature are only procured by our customers from a limited number of project employers who are normally Government departments and statutory bodies. Contracts from the Government and statutory bodies are normally awarded to main contractors by way of public tender and there is no assurance that we will continue to obtain these public sector contracts originated from the Government and statutory bodies in the future. If we are unable to successfully tender for public sector contracts or if there is a significant decrease in our tender success rate, our business operations, financial results and profitability will be adversely affected.

FINANCIAL INFORMATION

Concentration of customer base

A significant portion of our revenue was derived from a small number of customers during the Track Record Period. Our five largest customers' revenue contribution for the three years ended 31 March 2016 accounted for approximately 100%, 100% and 96.2% of our revenue of the same period, respectively. For the same period, our largest customer, China State Construction, accounted for approximately 33.0%, 99.3% and 33.5% of our revenue, respectively.

During the Track Record Period and up to the Latest Practicable Date, we did not enter into any long-term service agreement or master service agreement with our customers. Our service contracts for all site formation works are entered into on a project-by-project basis. As such, there is no assurance that we will be able to retain our customers upon expiry of the contract period or that they will maintain their current level of business with us in the future. If there is a significant decrease in the number of projects or size of projects in terms of contract sums awarded by our five largest customers to us for whatever reasons, and if we are unable to obtain suitable projects of a comparable size and quantity as replacement, our financial conditions and operating results will be materially and adversely affected. Besides, if any of our five largest customers experiences any liquidity problem, it may result in delay or default in settling progress payments to us, which in turn will have an adverse impact on our cash-flows and financial conditions. We cannot guarantee that we will be able to diversify our customer base by obtaining significant number of new projects from our existing and potential customers.

Subcontracting fee

Depending on the availability of our labour resources and the opportunity cost of performing the work with our own resources, we may subcontract part of our works to other subcontractors. There is no assurance that we are able to monitor the performance of these subcontractors as directly and efficiently as with our own staff. In addition, our inability to hire qualified subcontractors could hinder our ability to complete a project within the prescribed deadline.

Outsourcing exposes us to risks associated with non-performance, delayed performance or substandard performance by subcontractors or third parties. Accordingly, we may experience deterioration in the quality or delay in completion of our projects. We may also incur additional costs due to the delays or a higher price in sourcing the services, equipment or supplies in default. We are usually liable for our subcontractors' default. These events may have impact upon our profitability, financial performance and reputation, as well as result in litigation or damages claims.

FINANCIAL INFORMATION

Supply and cost of labour

Generally, our construction works are labour intensive. For any given project, a large number of workers from various trades with different skills may be required. There is no assurance that the supply of labour will be sufficient during the forthcoming years when the peak load of construction activities is ongoing. All labour intensive projects are more susceptible to labour shortage, and our subcontracting costs including labour costs of our subcontractors may escalate. If there is a significant increase in the costs of labour and we have to retain our labour (likewise our subcontractors retain their labour) by increasing their wages, our staff cost and/or subcontracting cost will increase and thus lower our profitability. On the other hand, if we or our subcontractors fail to retain our existing labour and/or recruit sufficient labour in a timely manner to cope with our existing or future projects, we may not be able to timely complete our projects, resulting in liquidated damages and/or financial losses.

Collectability and timing of collection of our trade and other receivables

Although the majority of our revenue during the Track Record Period was derived from the public sector projects, there can be no assurance that our customers (in particular, customers of our private sector projects) will settle our invoices on time and in full. In addition, when undertaking contract works, some of our customers may, depending on the contract terms, hold up a certain percentage of each payment made to us as retention money. Such percentage is generally 5% to 10%, subject to a ceiling of up to 2.5% or 5% of the total contract sum of the projects in general. Retention money withheld are normally released to us after the receipt of completion certificate and/or the expiry of the defect liability period. However, there can be no assurance that such retention money will be released by our customers to us on a timely basis and in full accordingly.

We had concentration of credit risk as approximately 41%, 45% and 58% of our total trade receivables as at 31 March 2014, 2015 and 2016, respectively, were due from our largest customer, and approximately 100%, 100% and 59% from our five largest customers. Any difficulty in collecting a substantial portion of our trade and other receivables could materially and adversely affect our cash flows and financial positions.

Investment in machinery

We rely heavily on the use of machinery and equipment, including hydraulic excavators, hydraulic hammers, drill rigs, jumbo drill rigs, shotcrete machines, loaders and air compressors. To further enhance and optimise our overall efficiency and capacity as well as technical capability in performing our works, we intend to acquire additional drill rigs, hydraulic excavators, air compressors, crawler cranes, hydraulic hammers and shotcrete machines. We estimate such acquisitions will be financed from the Share Offer. Our Directors further estimate that assuming all other things remain unchanged, our depreciation expenses will increase and our gross profit will decrease during the years ending 31 March 2017 and 2018, respectively. Accordingly, our operating results and financial position may be adversely affected.

FINANCIAL INFORMATION

BASIS OF PRESENTATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 31 March 2016. Its ultimate holding company and immediate holding company is also Waterfront Palm Limited, incorporated in the BVI. The address of the registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, and the address of the principal place of business of the Company is located at Office No.917, Shatin Galleria, 18-24 Shan Mei Street, Fo Tan, New Territories, Hong Kong.

The Company is an investment holding company, while the principal subsidiary, C&H, is principally engaged in the provision of site formation works.

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 20 September 2016. The companies now comprising the Group have been under the common control of and beneficially owned by Ms. Choi, Mr. Tang and Mr. Kwok throughout the Track Record Period or since their respective dates of incorporation up to 31 March 2016 where this is a shorter period. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the Financial Information of the Group has been prepared on the basis as if the Company had always been the holding company of the companies now comprising the Group throughout the Track Record Period, using the principles of merger accounting in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA as set out in note 3 of the Accountants’ Report in Appendix I to this prospectus.

The combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for the Track Record Period include the results, change in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the Track Record Period or since their respective date of incorporation up to 31 March 2016 where this is a shorter period. The combined statements of financial position of the Group as at 31 March 2014, 2015 and 2016 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at those dates.

The Financial Information is presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company and its subsidiaries.

FINANCIAL INFORMATION

SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Please refer to note 3 of the Accountants' Report in Appendix I to this prospectus.

Construction contracts

Please refer to note 3 of the Accountants' Report in Appendix I to this prospectus.

Plant and equipment

Please refer to note 3 of the Accountants' Report in Appendix I to this prospectus.

KEY SOURCES OF ESTIMATION UNCERTAINTY

Construction contracts revenue recognition

Please refer to note 4 of the Accountants' Report in Appendix I to this prospectus.

Depreciation of plant and equipment

Please refer to note 4 of the Accountants' Report in Appendix I to this prospectus.

SUMMARY OF RESULTS OF OPERATIONS

The combined statements of profit or loss and comprehensive income during the Track Record Period are summarised below, which have been extracted from the Accountants' Report set out in Appendix I to this prospectus. As such, the following sections should be read in conjunction with the Accountants' Report set out in Appendix I to this prospectus.

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Revenue	83,947	139,367	210,046
Cost of sales	(69,014)	(104,131)	(167,546)
Gross Profit	14,933	35,236	42,500
Other income	–	59	515
Administrative expenses	(3,308)	(4,163)	(8,041)
Finance costs	(179)	(389)	(375)
Profit before taxation	11,446	30,743	34,599
Taxation	(1,793)	(5,072)	(6,175)
Profit and total comprehensive income for the year	9,653	25,671	28,424

FINANCIAL INFORMATION

DESCRIPTION OF SELECTED ITEMS FROM COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

During the Track Record Period, our revenue were mainly generated from construction contracts for comprehensive site formation solutions, which generally include general earthworks, tunnel excavation works, foundation works and road and drainage works. As part of our ancillary services, we also undertake steel fabrication and installation of steel working platform. Our revenue from construction contract is recognised based on the stage of completion at the end of each reporting period. The stage of completion is determined by reference to the construction works certified by our customers. The portion of total construction contract amount have been completed in a period is recognised as revenue of our Group in the respective period. During the Track Record Period, our major customers are main contractors in Hong Kong. The breakdown of revenue by project type are sets out below:

	Year ended 31 March					
	2014		2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
General site formation works	83,947	100.0%	139,367	100.0%	204,633	97.4%
Ancillary services	—	0.0%	—	0.0%	5,413	2.6%
	<u>83,947</u>	<u>100.0%</u>	<u>139,367</u>	<u>100.0%</u>	<u>210,046</u>	<u>100.0%</u>

The types of site formation works undertaken by our Group are largely divided into four types, including general earthworks, tunnel excavation works, foundation works and road and drainage works. The operating results information, which is reviewed by management for decision-making on resources allocation and assessment of performance, is prepared on a project-by-project basis rather than service type basis due to the following factors:

- a site formation project is normally a package deal consisting of more than one service types which are inseparable;
- project managers, who report directly to management, are responsible for and held accountable for the performance of the entire project they are assigned to, rather than by service type;
- the allocation of resources such as labour, construction materials and supplies and machinery are similarly made on a project basis; and
- a subcontractor of our Group is often engaged for more than one service types under the same subcontract.

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As a result, our Company is unable to provide a breakdown of the Group's revenue during the Track Record Period by service type based on the said operating information as more than one type of service is involved in a major site formation project carried out by our Group during the Track Record Period.

During the Track Record Period, revenue generate from public sector projects accounted for approximately 95.0%, 99.3% and 73.8% of our revenue. The following tables sets forth the breakdown of our revenue and the percentage contribution to our total revenue and number of contracts with revenue contributed to us by private and public sectors for the periods indicated:

	2014		Year ended 31 March 2015		2016	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Public sector projects	79,767	95.0%	138,450	99.3%	155,010	73.8%
Private sector projects	<u>4,180</u>	<u>5.0%</u>	<u>917</u>	<u>0.7%</u>	<u>55,036</u>	<u>26.2%</u>
	<u><u>83,947</u></u>	<u><u>100.0%</u></u>	<u><u>139,367</u></u>	<u><u>100.0%</u></u>	<u><u>210,046</u></u>	<u><u>100.0%</u></u>

	Year ended 31 March		
	2014	2015	2016
Number of contracts with revenue contribution to us			
Public sector projects	3	5	9
Private sector projects	<u>1</u>	<u>3</u>	<u>6</u>
	<u><u>4</u></u>	<u><u>8</u></u>	<u><u>15</u></u>

FINANCIAL INFORMATION

For the three years ended 31 March 2016, there were respectively, four, eight, and 15 construction projects contributing approximately HK\$83.9 million, HK\$139.4 million, and HK\$210.0 million, respectively to our revenue. Set out below is the breakdown of such projects based on their respective revenue recognised during the Track Record Period.

	Year ended 31 March		
	2014	2015	2016
	Number of projects	Number of projects	Number of projects
Revenue recognised			
HK\$100,000,000 or above	–	1	–
HK\$50,000,000 to HK\$100,000,000	1	–	2
HK\$10,000,000 to below HK\$50,000,000	1	–	1
HK\$1,000,000 to below HK\$10,000,000	2	1	8
Below HK\$1,000,000	–	6	4
	<u>4</u>	<u>8</u>	<u>15</u>

Cost of sales

Cost of sales primarily consist of (i) staff costs, (ii) material costs; (ii) subcontracting charges; (iv) machinery and equipment rental expenses; (v) depreciation expenses and (vi) other overhead costs. The table below set forth a breakdown of our cost of sales and the percentage contribution to total cost of sales for the periods indicated:

	Year ended 31 March					
	2014		2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Direct labour costs	15,429	22.3%	40,006	38.4%	23,424	14.0%
Material costs	19,912	28.8%	32,152	30.9%	14,652	8.7%
Subcontracting charges	22,055	32.0%	15,037	14.4%	109,680	65.5%
Machinery and equipment rental expenses	4,940	7.2%	2,276	2.2%	7,258	4.3%
Depreciation expenses	2,073	3.0%	6,372	6.1%	7,577	4.5%
Other overhead costs	4,605	6.7%	8,288	8.0%	4,955	3.0%
	<u>69,014</u>	<u>100.0%</u>	<u>104,131</u>	<u>100.0%</u>	<u>167,546</u>	<u>100.0%</u>

FINANCIAL INFORMATION

Direct labour costs

Direct labour costs represent (i) salaries, wages and other benefits; and (ii) contributions to defined contribution retirement plan provided to direct workers of our project team, such as project manager, engineer, superintendent, plant and machinery operators, site workers and foremen, who are directly involved in the construction projects.

Material costs

Material costs mainly represent cost of sales for the purchase of explosives, parts and consumables and diesel fuel used for the machineries.

Subcontracting charges

Subcontracting charges represent cost of sales for engaging subcontractors for pile cap construction works, geotechnical works, ELS works and road and drainage works to carrying out part of our construction projects depending on our capability, project schedule, resources level, cost effectiveness and the complexity of the projects.

Subcontracting charges increased by approximately HK\$94.7 million or 631.3% from approximately HK\$15.0 million for the year ended 31 March 2015 to approximately HK\$109.7 million for the year ended 31 March 2016. Such significant increase in subcontracting charges was mainly due to increase in amount of works outsourced to subcontractors such as ELS works, pile cap construction and road and drainage works as a result from our business growth as illustrated by the increase in our revenue as discussed above. Having considered the internal resources, capacity and efficiency of the overall project workflow, our Directors are of the view that subcontracting construction works such as pile cap, ELS works and road and drainage work can allow our Group to reserve capacity for another tunnel excavation work with our largest customer in the financial year ended 31 March 2015, which commenced since February 2015 with a project duration of almost two years. In particular, the subcontracting charges for the year ended 31 March 2016 included an amount of approximately HK\$21.5 million charged to Ming Shing Construction Engineering Co., Ltd., a customer that was also our subcontractor during the Track Record Period. During the year ended 31 March 2016, we engaged Ming Shing Construction Engineering Co., Ltd. as a subcontractor for construction of pile cap, basement slab and associated works for a railway extension project. Whilst we engaged other subcontractors in the same project, the terms of engagement we entered into with other subcontractors were similar to those we entered into with Ming Shing Construction Engineering Co., Ltd.. For details of the relationships with customer that was also our subcontractor during the Track Record Period, please refer to the section headed “Business – Subcontractors” in this prospectus.

Machinery and equipment rental expenses

Machinery and equipment rental expenses represent cost of sales for rental of machinery to carrying out part of our construction projects during the Track Record Period.

FINANCIAL INFORMATION

Depreciation expenses

Depreciation expenses for machinery and motor vehicles, which are used in generating our Group's revenue, are recognised as part of the cost of sales.

Other overhead costs

Other overhead costs primarily include (i) consultancy fee to consultant for advisory of blasting design and blasting operation; (ii) repair and maintenance for the machineries; (iii) transportation fee on the construction projects; (iv) site management fee such as establishment of temporary site office; and (v) others such as staff welfare and motor vehicles expenses etc.

The amount of each of the elements of cost of sales and the composition of cost of sales depend on various factors. The amount of construction material costs depends on the volume and price of materials used in projects. The amount of subcontracting charges depends on the amount of construction works that we outsourced to our subcontractors. Direct labour costs are primarily related to the number of direct workers of our Group and their corresponding salaries at the prevailing market rate. Depreciation arises from machinery which is used directly in generating our Group's revenue.

As the materials are purchased on a project basis in accordance with the project requirements, we rely on the accurate estimation on the amount of construction materials needed and we normally allow for a small buffer in each batch of order to avoid wastage. As such, we do not retain any construction materials as inventory. Most of the construction materials are delivered by our suppliers directly to relevant construction sites for immediate consumption. The amount, quantity, delivery schedule, specifications and type of construction materials to be ordered are assessed and controlled by our administration department through consults our quantity surveyors and engineering department on a project-by-project basis depending on the progress of works and specific requirements of each project. In some projects, certain construction materials might be purchased by our customer on our behalf and the cost will be charged against us. For details on the contra charge arrangement, please refer to the section "Business – Suppliers – Contra-charge arrangement with our customer which is also our supplier".

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The following sensitivity analysis illustrates the impact of hypothetical changes of material costs, subcontracting costs and direct labour costs on profit and before taxation for the three years ended 31 March 2016, with reference to the historical fluctuation of our cost of sales during the Track Record Period:

Impact on profit before taxation
For the year ended 31 March

	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>

Material costs increase/decrease by:

+10%	(1,991)	(3,215)	(1,465)
+5%	(996)	(1,608)	(733)
-5%	996	1,608	733
-10%	1,991	3,215	1,465

Impact on profit before taxation
For the year ended 31 March

	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>

Subcontracting charges increase/decrease by:

+10%	(2,206)	(1,504)	(10,968)
+5%	(1,103)	(752)	(5,484)
-5%	1,103	752	5,484
-10%	2,206	1,504	10,968

Impact on profit before taxation
For the year ended 31 March

	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>

Direct labour costs increase/decrease by:

+10%	(1,543)	(4,001)	(2,342)
+5%	(771)	(2,000)	(1,171)
-5%	771	2,000	1,171
-10%	1,543	4,001	2,342

FINANCIAL INFORMATION

Gross profit

The following table sets forth our gross profit and gross profit margin by project type and by private and public sectors for the periods indicated:

	Year ended 31 March					
	2014		2015		2016	
	Gross profit margin <i>HK\$'000</i>	Gross profit margin <i>%</i>	Gross profit margin <i>HK\$'000</i>	Gross profit margin <i>%</i>	Gross profit margin <i>HK\$'000</i>	Gross profit margin <i>%</i>
Public	14,387	18.0%	35,134	25.4%	32,557	21.0%
Private	<u>546</u>	13.1%	<u>102</u>	11.1%	<u>9,943</u>	18.1%
	<u>14,933</u>	17.8%	<u>35,236</u>	25.3%	<u>42,500</u>	20.2%

	Year ended 31 March					
	2014		2015		2016	
	Gross profit margin <i>HK\$'000</i>	Gross profit margin <i>%</i>	Gross profit margin <i>HK\$'000</i>	Gross profit margin <i>%</i>	Gross profit margin <i>HK\$'000</i>	Gross profit margin <i>%</i>
General site formation	14,933	17.8%	35,236	25.3%	40,065	19.6%
Ancillary services	<u>–</u>	–	<u>–</u>	–	<u>2,435</u>	45.0%
	<u>14,933</u>	17.8%	<u>35,236</u>	25.3%	<u>42,500</u>	20.2%

The gross profit and gross profit margin of our Group was determined on a project-by-project basis and are generally attributable to our tender price of the projects. Our management determine the tender price with reference to numerous factors such as the scale and complexity of the project, geological environment, the likelihood of any material deviation of the actual cost from our estimated cost having regard to the types and cost of direct labour, machinery and equipment, materials and other resources involved in our cost estimations, project duration, project budget as well as the prevailing market conditions. As such, our Directors are of the view that there is no clear benchmark of profit margin on the work undertaken by our Group. Our gross profit and gross profit margin from public sector remained to be higher than our gross profit and gross profit margin from private sector during the Track Record Period. The high profit margin from public sector was mainly attributable to two public construction works which involved substantial part of tunnel excavation work, with a total contract sum of approximately HK\$303.1 million, were undertaken throughout the Track Record Period. Our Directors are of the view that the level of expertise required and the complexity of site formation work that involved tunnel excavation work are usually higher than that of other site formation work and therefore our management can achieve higher profit margin on these projects. Please refer to the

FINANCIAL INFORMATION

paragraph headed “Financial Information – Year-to-year Comparison of Results of Operations” in this prospectus for a discussion of the fluctuation of the Group’s gross profit margin during the Track Record Period.

In respect of our projects completed during the three years ended 31 March 2016 where the amount of revenue recognised were lower than the original contract sum, such differences amounted to an aggregate of HK\$10.8 million, HK\$0.5 million and HK\$14.3 million respectively. These variation orders have resulted in subsequent adjustments to the costs of sales and deviation of gross profit from the preliminary assessment conducted by our Group’s management in the tender analysis during the Track Record Period. The following analysis illustrates the impact of the variation orders resulting from reduction of contract sums on gross profit and gross profit margin for the three years ended 31 March 2016:

	For the year ended 31 March		
	2014	2015	2016
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Gross profit under original contract sum	16,184	35,327	43,249
Impact of Negative Variation Orders resulting from reduction of contract sums on gross profit	<u>(1,251)</u>	<u>(91)</u>	<u>(749)</u>
Gross profit	<u><u>14,933</u></u>	<u><u>35,236</u></u>	<u><u>42,500</u></u>

Based on the above analysis, assuming the reduction in contract sum resulting from variation order not taken place, the gross profit for the three years ended 31 March 2016 will be increased by approximately HK\$1.3 million, HK\$91,000 and HK\$0.7 million respectively. Accordingly, the gross profit margin during the Track Record Period will decrease from approximately 17.8%, 25.28%, 20.2% respectively to 17.1%, 25.27% and 19.3% respectively should the Negative Variation Orders not taken place.

Other income

Other net income mainly includes refund of MPF contributions, government grant and gain on disposals of plant and equipment. During the Track Record Period, our Group disposed of certain plant and equipment, which mainly included motor vehicles, sales proceeds of which are regarded as gain on disposal of plant and equipment.

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Administrative expenses

Administrative expenses consist primarily of staff costs, entertainment, operating lease rental on premises, depreciation expenses, listing expenses and other expenses. The following table sets out administrative expenses by nature during the Track Record Period:

	Year ended 31 March					
	2014		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Staff costs	1,881	56.9%	2,450	58.8%	3,154	39.2%
Entertainment	660	19.9%	582	14.0%	759	9.4%
Operating lease rental on premises	–	–	99	2.4%	269	3.4%
Depreciation	129	3.9%	42	1.0%	93	1.2%
Listing expenses	–	–	–	–	2,830	35.2%
Other expenses	638	19.3%	990	23.8%	936	11.6%
	<u>3,308</u>	<u>100.0%</u>	<u>4,163</u>	<u>100.0%</u>	<u>8,041</u>	<u>100.0%</u>

Staff cost

Staff costs represent (i) salaries, wages, allowances and other benefits; and (ii) contributions to defined contribution retirement plan and benefits provided to our Directors, our senior management and administrative staff.

Entertainment

Entertainment primarily represent cost incurred for the business events with our Group's customers and subcontractors.

Operating lease rental on premises

Operating lease rental on premises mainly represents rental expenses for office rented by our Group during the Track Record Period.

Depreciation expenses

Depreciation expenses represents depreciation for leasehold improvements and furniture and fixtures at our Group's office premises, which are not directly involved in site formation projects, are recognised as general and administrative expenses.

Listing expenses

Listing expenses represent fees of legal and other advisers in connection with the Listing.

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Other expenses

Other expenses mainly represent our Group's expenditures incurred for office expenses, transportation fees and other utilities.

Finance costs

Finance costs represent interest expenses on unsecured bank overdraft, unsecured bank borrowings and finance lease liabilities as set out below.

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Interests on unsecured banking borrowings wholly repayable within 1 year	89	152	64
Finance charges on obligations under finance leases	90	235	308
Unsecured bank overdraft interest	<u>–</u>	<u>2</u>	<u>3</u>
	<u>179</u>	<u>389</u>	<u>375</u>

Finance charges on obligations under finance leases were incurred for some of our Group's machinery and motor vehicles during the Track Record Period. The interest on unsecured bank borrowings were determined with reference to prevailing market rate. Details of our unsecured bank overdraft, unsecured bank borrowings and finance lease obligations are disclosed in the paragraph headed "Indebtedness" in this section.

Income tax

Our Group's revenue during the Track Record Period was derived in Hong Kong and our Group was subject to profits tax in Hong Kong. Hong Kong profits tax is charged at a statutory rate of 16.5% of the estimated assessable profits for the Track Record Period. The effective tax rates of our Group for the three years ended 31 March 2014, 2015 and 2016 were approximately 15.7%, 16.5% and 17.8% respectively.

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YEAR-TO-YEAR COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 March 2015 compared to year ended 31 March 2014

Revenue

Our Group's revenue increased by approximately HK\$55.5 million, or 66.2%, from approximately HK\$83.9 million for the year ended 31 March 2014 to approximately HK\$139.4 million for the year ended 31 March 2015. Such increase was mainly due to the public site formation project with China State Construction that involved substantial part of tunnel excavation works, contributed revenue of approximately HK\$138.5 million for the year ended 31 March 2015 as compared to approximately HK\$27.7 million for the year ended 31 March 2014.

Cost of sales

Our Group's cost of sales increased by approximately HK\$35.1 million or 50.9% from approximately HK\$69.0 million for the year ended 31 March 2014 to approximately HK\$104.1 million for the year ended 31 March 2015. Such increase was primarily due to the increase in staff costs, material costs, depreciation expenses and other overhead costs, partially offset by the decrease in subcontracting charges and machinery and equipment rental expenses.

Our staff costs increased by approximately HK\$24.6 million or 159.7% from approximately HK\$15.4 million for the year ended 31 March 2014 to approximately HK\$40.0 million for the year ended 31 March 2015. Such increase was primarily due to the increase in direct labour consumed such as registered shotfirers, plant operators and other site workers for the site formation project that involved substantial tunnel excavation work by drill and blast method during the year ended 31 March 2015.

The material costs increased by approximately HK\$12.3 million or approximately 61.8% from approximately HK\$19.9 million for the year ended 31 March 2014 to approximately HK\$32.2 million for the year ended 31 March 2015. Such increase was in line with the growth of our revenue and primarily due to increase usage in parts and consumables for machineries, such as hydraulic hammer, hydraulic excavator and drill rig in connection with tunnel excavation work by drill and blast method for the year ended 31 March 2015.

The depreciation expenses increased by approximately HK\$4.3 million or 204.8% from approximately HK\$2.1 million for the year ended 31 March 2014 to approximately HK\$6.4 million for the year ended 31 March 2015. Such increase was due to the significant additions of machinery during the year ended 31 March 2015 of approximately HK\$7.7 million. The major machinery acquired during the year ended 31 March 2015 includes hydraulic excavator and shotcrete machine. Our Directors considered that having possession of different types of machinery and equipment could allow us to devise flexible construction plans and apply suitable machinery specifically catered for the geological

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complexity of work site, as well as enables us to efficiently and effectively schedule our projects and deploy our manpower and reduce the reliance on our suppliers for some machinery and equipment rental services.

Other overhead costs increased by approximately HK\$3.7 million or 80.4% from approximately HK\$4.6 million for the year ended 31 March 2014 to approximately HK\$8.3 million for the year ended 31 March 2015. The increase in other overhead costs was mainly attributable to the increased repair and maintenance expenses for machinery used in tunnel excavation work by drill and blast method from HK\$1.1 million for the year ended 31 March 2014 to HK\$3.0 million for the year ended 31 March 2015.

Subcontracting charges decreased by approximately HK\$7.1 million or 32.1% from approximately HK\$22.1 million for the year ended 31 March 2014 to approximately HK\$15.0 million for the year ended 31 March 2015. Such decrease in subcontracting charges was mainly due to less subcontracting work is required as our Director considered that our Group's direct labour have the capability and capacity to carry out the tunnel excavation work during the year ended 31 March 2015.

Machinery and equipment rental expenses decreased by approximately HK\$2.6 million or 53.1% from approximately HK\$4.9 million for the year ended 31 March 2014 to approximately HK\$2.3 million for the year ended 31 March 2015. Such decrease in machinery and equipment rental expenses was mainly due to purchase of additional machinery for the year ended 31 March 2015.

Gross profit and gross profit margin

Our Group's total gross profit increased by approximately HK\$20.3 million, or 136.2%, from approximately HK\$14.9 million for the year ended 31 March 2014 to approximately HK\$35.2 million for the year ended 31 March 2015. Such increase was in line with the growth of our revenue. The increase of gross profit margin from approximately 17.8% for the year ended 31 March 2014 to approximately 25.3% for the year ended 31 March 2015 was mainly due to the tunnel excavation work by drill and blast method with a profit margin of approximately 25.6%, has carried out substantial work for the year ended 31 March 2015. Revenue of this project recognised in the year ended 31 March 2015 accounted for approximately 99.3% of total revenue for the same year.

Other income

Our Group recorded other net income of approximately HK\$59,000 for the year ended 31 March 2015, which mainly represented gain on disposals of plant and equipment of approximately HK\$56,000.

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Administrative expenses

Our Group's administrative expenses increased by approximately HK\$0.9 million, or 27.3%, from approximately HK\$3.3 million for the year ended 31 March 2014 to approximately HK\$4.2 million for the year ended 31 March 2015. Such increase was mainly due to the increase in staff costs of approximately HK\$0.6 million as a result of the increase in Directors' emolument.

Finance costs

Finance costs increased by approximately HK\$0.2 million or 100.0% from approximately HK\$0.2 million for the year ended 31 March 2014 to approximately HK\$0.4 million for the year ended 31 March 2015. Such increase was mainly attributable to the increase in finance lease interest as a result from the additional machinery purchased under finance lease to cater for the business growth of the Group.

Income tax

Income tax increased by approximately HK\$3.3 million or 183.3%, from approximately HK\$1.8 million for the year ended 31 March 2014 to approximately HK\$5.1 million for the year ended 31 March 2015. The increase in income tax expense was mainly attributable to the increase in profit before taxation from approximately HK\$11.4 million for the year ended 31 March 2014 to HK\$30.7 million for the year ended 31 March 2015.

The effective tax rates were approximately 15.7% and 16.5% for the year ended 31 March 2014 and 31 March 2015 respectively.

Profit for the year

As a result of the foregoing, the profit for the year of the Group increased by approximately HK\$16.0 million or 164.9% from approximately HK\$9.7 million for the year ended 31 March 2014 to HK\$25.7 million for the year ended 31 March 2015.

Year ended 31 March 2016 compared to year ended 31 March 2015

Revenue

Our Group's revenue increased by approximately HK\$70.6 million, or 50.6%, from approximately HK\$139.4 million for the year ended 31 March 2015 to approximately HK\$210.0 million for the year ended 31 March 2016, which is in line with the increase of number of project from 8 projects for the year ended 31 March 2015 to 15 projects for the year ended 31 March 2016. In particular, revenue from private construction works increased from approximately HK\$0.9 million for the year ended 31 March 2015 to approximately HK\$55.0 million for the year ended 31 March 2016, which is also in line with the increase in number of private projects contributed revenue to us from 3 projects for the year ended 31 March 2015 to 6 projects for the year ended 31 March 2016.

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Direct costs

Our Group's direct costs increased by approximately HK\$63.4 million or 60.9% from approximately HK\$104.1 million for the year ended 31 March 2015 to approximately HK\$167.5 million for the year ended 31 March 2016. Such increase was primarily due to the increase in subcontracting charge, machinery and equipment rental expenses and depreciation expenses, partially offset by the decrease in staff costs, material costs and other overhead costs.

Subcontracting charges increased by approximately HK\$94.7 million or 631.3% from approximately HK\$15.0 million for the year ended 31 March 2015 to approximately HK\$109.7 million for the year ended 31 March 2016. Such significant increase in subcontracting charges was mainly due to increase in amount of works outsourced to subcontractors such as ELS works, pile cap construction and road and drainage works as a result from our business growth as illustrated by the increase in our revenue as discussed above. Having considered the internal resources, capacity and efficiency of the overall project workflow, the Directors are of the view that subcontracting construction works such as pile cap, ELS works and road and drainage work can allow the Group to reserve capacity for another tunnel excavation work with our largest customer, which commenced since February 2015 with a project duration of two years. In particular, the subcontracting charges for the year ended 31 March 2016 included an amount of approximately HK\$21.5 million charged to Ming Shing Construction Engineering Co., Ltd., a customer that was also our subcontractor during the Track Record Period. During the year ended 31 March 2016, we engaged Ming Shing Construction Engineering Co., Ltd. as a subcontractor for construction of pile cap, basement slab and associated works for a railway extension project. Whilst we engaged other subcontractors in the same project, the terms of engagement we entered into with other subcontractors were similar to those we entered into with Ming Shing Construction Engineering Co., Ltd.. For details of the relationships with customer that was also our subcontractor during the Track Record Period, please refer to the section headed "Business – Subcontractors" in this prospectus.

Machinery and equipment rental expenses increased by approximately HK\$5.0 million or 217.4% from approximately HK\$2.3 million for the year ended 31 March 2015 to approximately HK\$7.3 million for the year ended 31 March 2016. Such increase in machinery and equipment rental expenses was mainly due to short term leasing of machinery such as delivery truck for ELS works and road and drainage work during the year ended 31 March 2016. Our Directors considered that such short-term leasing decision enabled us to schedule our projects more efficiently and effectively.

The depreciation expenses increased by approximately HK\$1.2 million or 18.8% from approximately HK\$6.4 million for the year ended 31 March 2015 to approximately HK\$7.6 million for the year ended 31 March 2016. Such increase was mainly attributable to the additions of plant and machinery of approximately HK\$11.6 million as a result from our business growth as illustrated by the increase in our revenue as discussed above. The major machinery acquired during the year ended 31 March 2016 mainly included drill rig, loader and hydraulic excavator.

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Our staff costs decreased by approximately HK\$16.6 million or 41.5% from approximately HK\$40.0 million for the year ended 31 March 2015 to approximately HK\$23.4 million for the year ended 31 March 2016. Such decrease was primarily due to increase in amount outsourced to subcontractors as mentioned above and hence less direct labour cost were consumed for the year ended 31 March 2016.

The material costs decreased by approximately HK\$17.5 million or 54.3% from approximately HK\$32.2 million for the year ended 31 March 2015 to approximately HK\$14.7 million for the year ended 31 March 2016. Such decrease was primarily due to decrease usage in parts and consumables for machineries during our construction works for the year ended 31 March 2016 as the tunnel excavation work by drill and blast with China State Construction that required substantial use of parts and consumables was substantially completed for the year ended 31 March 2016.

The other overhead costs decreased by approximately HK\$3.3 million or 39.8% from approximately HK\$8.3 million for the year ended 31 March 2015 to approximately HK\$5.0 million for the year ended 31 March 2016. The decrease in other overhead costs was mainly attributable to (i) the decrease in repair and maintenance costs for machineries as a result of decreased usage of machinery in the tunnel excavation work for the year ended 31 March 2016 and (ii) the decreased consultancy fee for the advisory of blasting design and blasting operation for site formation project that involved tunnel excavation work by drill and blast method, which has substantially completed for the year ended 31 March 2015.

Gross profit and gross profit margin

Our Group's total gross profit increased by approximately HK\$7.3 million, or 20.7%, from approximately HK\$35.2 million for the year ended 31 March 2015 to approximately HK\$42.5 million for the year ended 31 March 2016. Such increase was in line with the growth of our revenue. The decrease of gross profit margin from approximately 25.3% for the year ended 31 March 2015 to approximately 20.2% for the year ended 31 March 2016 was mainly due to the site formation project with China State Construction that involved tunnel excavation works by drill and blast method with a profit margin of approximately 25.6% has been carried out substantial work during the year ended 31 March 2015.

Other income

Our Group's other income increased by approximately HK\$0.5 million, or 747.5%, from approximately HK\$59,000 for the year ended 31 March 2015 to approximately HK\$0.5 million for the year ended 31 March 2016. Such increase was mainly due to (i) refund of MPF contributions of approximately HK\$0.2 million for the year ended 31 March 2016 and (ii) subsidy of replacement of scrapped motor vehicles from Government of approximately HK\$0.2 million for the year ended 31 March 2016.

Administrative expenses

Our Group's administrative expenses increased by approximately HK\$3.8 million, or 90.5%, from approximately HK\$4.2 million for the year ended 31 March 2015 to approximately HK\$8.0 million for the year ended 31 March 2016. Such increase was mainly

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due to (i) the increase in staff costs of approximately HK\$0.7 million as a result of the increase in the number of back office staff from six as at 31 March 2015 to nine as at 31 March 2016 and (ii) listing expenses of approximately HK\$2.8 million incurred for the year ended 31 March 2016.

Finance costs

Finance costs remained stable and amounted to approximately HK\$0.4 million for both years ended 31 March 2015 and 31 March 2016.

Income tax

Income tax increased by approximately HK\$1.1 million or 21.6%, from approximately HK\$5.1 million for the year ended 31 March 2015 to approximately HK\$6.2 million for the year ended 31 March 2016. The increase in income tax expense was mainly attributable to the increase in profit before taxation from approximately HK\$30.7 million for the year ended 31 March 2015 to HK\$34.6 million for the year ended 31 March 2016.

The effective tax rates were approximately 16.5% and 17.8% for the year ended 31 March 2015 and 31 March 2016 respectively.

Profit for the year

As a result of the foregoing, the profit for the year of the Group increased by approximately HK\$2.7 million or 10.5% from approximately HK\$25.7 million for the year ended 31 March 2015 to HK\$28.4 million for the year ended 31 March 2016.

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LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are mainly to finance our operations and satisfy our capital expenditure needs. During the Track Record Period, our principal sources of liquidity and capital resources were cash flow generated from operating activities.

Cash Flows

The following table sets forth the cash flows for the periods indicated. This information should be read together with the combined financial information contained in the Accountants' Report in Appendix I to this prospectus.

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Net cash flow from operating activities	13,075	57,322	26,189
Net cash flow (used in) from investing activities	(12,922)	(24,980)	1,058
Net cash flow from (used in) financing activities	1,627	(3,997)	(6,109)
Net increase in cash and cash equivalent	1,780	28,345	21,138
Cash and cash equivalents at beginning of the year	957	2,737	31,082
Cash and cash equivalents at end of the year	2,737	31,082	52,220

Cash flows from operating activities

Our operating cash inflows are primarily derived from our revenue from the provision of construction services, whereas our operating cash outflows mainly comprise of payment for subcontracting charges, staff costs, purchase of construction materials, as well as other working capital needs. Our net cash flow generated from operating activities primarily reflects our profit or loss before income tax, as adjusted for non-operating items, such as depreciation expenses, gain or loss on disposals of plant and equipment, interest income, finance costs, and the effects of changes in working capital such as increase or decrease in trade and other receivables, trade and other payables, net amount due from/ to customers for contract works and amount due to a related company.

Cash flows from operating activities can be significantly affected by factors such as the timing of collection of trade and retention receivables from customers and the timing of payment of trade and other payables to suppliers and subcontractors during our ordinary course of business, which also primarily accounted for the difference in the net cash generated from operating activities among the years during the Track Record Period.

For the year ended 31 March 2014, we had net cash generated from operating activities of approximately HK\$13.1 million, primarily as a result of (i) profit before taxation of approximately HK\$11.4 million, positively adjusted for depreciation expenses of approximately HK\$3.5 million and interest expenses of approximately HK\$0.2 million; (ii) increase in trade and other receivables of approximately HK\$7.8 million; (iii) increase in

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amounts due to a related party of approximately HK\$1.0 million; (iv) increase in gross amounts due to customers for contract work of approximately HK\$1.8 million; and (v) increase in trade and other payables of approximately HK\$2.9 million.

For the year ended 31 March 2015, we had net cash generated from operating activities of approximately HK\$57.3 million, primarily as a result of (i) profit before taxation of approximately HK\$30.7 million, positively adjusted for depreciation of approximately HK\$4.4 million and interest expenses of approximately HK\$0.4 million, partially offset by gain on disposals of plant and equipment of approximately HK\$56,000 and interest income of approximately HK\$1,000; (ii) increase in gross amounts due from customers for contract work of approximately HK\$0.3 million; (iii) increase in gross amounts due to customers for contract work of approximately HK\$23.7 million; (iii) decrease in amounts due to a related party of approximately HK\$0.9 million; and (iv) decrease in trade and other payables of approximately HK\$0.6 million.

For the year ended 31 March 2016, we had net cash generated from operating activities of approximately HK\$26.2 million, primarily as a result of (i) profit before taxation of approximately HK\$34.6 million, positively adjusted for depreciation of approximately HK\$7.5 million, interest expenses of approximately HK\$0.4 million and loss on disposals of plant and equipment of approximately HK\$24,000, partially offset by interest income of approximately HK\$3,000; (ii) increase in trade and other receivables of approximately HK\$21.7 million; (iii) increase in gross amounts due from customers for contract work of approximately HK\$19.1 million; (iv) increase in trade and other payables of approximately HK\$20.5 million; and (v) increase in gross amounts due to customers for contract work of approximately HK\$4.0 million.

Cash flows from investing activities

Our cash inflows from investing activities primarily include cash generated from disposals of plant and equipment, whereas our cash outflows from investing activities primarily include cash used in the purchase of fixed assets.

For the year ended 31 March 2014, we recorded net cash used in investing activities of approximately HK\$12.9 million, which was primarily attributable to cash used in our purchase of plant and machinery and motor vehicles of approximately HK\$9.1 million and advance to directors of approximately HK\$3.9 million.

For the year ended 31 March 2015, we recorded net cash used in investing activities of approximately HK\$25.0 million, which was primarily attributable to cash used in our purchase of plant and machinery and motor vehicles of approximately HK\$3.9 million and advance to directors of approximately HK\$21.2 million.

For the year ended 31 March 2016, we recorded net cash from investing activities of approximately HK\$1.1 million, which was mainly attributable to repayment from directors of HK\$10.4 million and proceeds from disposal of motor vehicles of approximately HK\$0.9 million offset by cash used in our purchase of plant and machinery and motor vehicles of approximately HK\$10.2 million.

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Cash flows from financing activities

Our cash inflows from financing activities mainly include proceeds from bank loans, while our cash outflows from financing activities primarily include repayment of bank borrowings, repayment of obligation under finance leases and interest payment.

For the year ended 31 March 2014, we had net cash from financing activities of approximately HK\$1.6 million, which was mainly attributable to proceeds from bank borrowings of approximately HK\$3.8 million partially offset by the repayment of bank borrowings of approximately HK\$1.3 million, repayment of obligations under finance leases of approximately HK\$0.7 million and interest payment of approximately HK\$0.2 million.

For the year ended 31 March 2015, we had net cash used in financing activities of approximately HK\$4.0 million, which was mainly attributable to the repayment of bank borrowings of approximately HK\$1.5 million, repayment of obligations under finance leases of approximately HK\$2.1 million and interest payment of approximately HK\$0.4 million.

For the year ended 31 March 2016, we had net cash used in financing activities of approximately HK\$6.1 million, which was mainly attributable to the repayment of bank borrowings of approximately HK\$1.6 million, repayment of obligations under finance leases of approximately HK\$4.2 million and interests payment of approximately HK\$0.4 million.

WORKING CAPITAL

Our Directors are of the opinion, and the Sponsor concurs, that taking into consideration the internal resources, the existing indebtedness and the estimated net proceeds of the Share Offer, we have sufficient working capital for our present requirements for at least the next 12 months commencing on the date of this prospectus.

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NET CURRENT ASSETS

The following table sets forth the breakdown of our Group's current liabilities and current assets as at each reporting date:

	As at 31 March			As at
	2014	2015	2016	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)
Current assets				
Amounts due from customers for				
contract work	439	763	19,822	27,704
Trade and other receivables	11,974	10,960	32,687	38,109
Amounts due from directors	9,254	30,483	93	–
Bank balances	<u>2,737</u>	<u>31,124</u>	<u>52,220</u>	<u>36,562</u>
	<u>24,404</u>	<u>73,330</u>	<u>104,822</u>	<u>102,375</u>
Current liabilities				
Amounts due to customers for				
contract work	1,804	25,476	29,508	30,266
Trade and other payables	11,894	11,336	31,796	38,031
Amount due to a related company	961	57	–	–
Unsecured bank overdraft	–	42	–	–
Unsecured bank borrowings	3,347	1,828	248	–
Obligations under finance leases	1,029	2,629	3,391	3,488
Tax payable	<u>1,242</u>	<u>5,762</u>	<u>10,777</u>	<u>12,091</u>
	<u>20,277</u>	<u>47,130</u>	<u>75,720</u>	<u>83,876</u>
Net current assets	<u><u>4,127</u></u>	<u><u>26,200</u></u>	<u><u>29,102</u></u>	<u><u>18,499</u></u>

The key components of our current assets included amounts due from customers for contract work, trade and other receivables, amounts due from directors and bank balances. The key components of our current liabilities included amounts due to customers for contract work, trade and other payables, amount due to a related company, unsecured bank overdraft, unsecured bank borrowings, obligations under finance leases and tax payable.

We recorded net current assets of approximately HK\$4.1 million and HK\$26.2 million as at 31 March 2014 and 31 March 2015 respectively. The increase in net current assets was mainly due to (i) an increase in our bank balances from approximately HK\$2.7 million as at 31 March 2014 to approximately HK\$31.1 million as at 31 March 2015 as a result of the increase in our cash flow generated from operations from our continuous business growth; and (ii) increase in amounts due from directors from approximately HK\$9.3 million as at 31 March 2014 to approximately HK\$30.5 million as at 31 March 2015. The effect was

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partially offset by (i) an increase in gross amounts due to customers for contract work from approximately HK\$1.8 million as at 31 March 2014 to approximately HK\$25.5 million as at 31 March 2015; and (ii) an increase in tax payable from approximately HK\$1.2 million as at 31 March 2014 to approximately HK\$5.8 million as at 31 March 2015.

As at 31 March 2016, we recorded net current assets of approximately HK\$29.1 million. The increase was mainly due to our business grow in 2016 as compared to 2015 resulting in (i) the increase of our bank balances from approximately HK\$31.1 million as at 31 March 2015 to approximately HK\$52.2 million as at 31 March 2016; (ii) the increase in amounts due from customers for contract work from approximately HK\$0.8 million as at 31 March 2015 to approximately HK\$19.8 million as at 31 March 2016; and (iii) the increase in trade and other receivables from approximately HK\$11.0 million as at 31 March 2015 to approximately HK\$32.7 million as at 31 March 2016. The effect was partially offset by (i) an decrease in amounts due from directors from approximately HK\$30.5 million as at 31 March 2015 to approximately HK\$93,000 as at 31 March 2016; (ii) the increase in gross amounts due to customers for contract work from approximately HK\$25.5 million as at 31 March 2015 to approximately HK\$29.5 million as at 31 March 2016; (iii) the increase in trade and other payables from approximately HK\$11.3 million as at 31 March 2015 to approximately HK\$31.8 million as at 31 March 2016; and (iv) the increase in tax payable from approximately HK\$5.8 million as at 31 March 2015 to approximately HK\$10.8 million as at 31 March 2016.

As at 31 July 2016, we recorded net current assets of approximately HK\$18.5 million, representing an decrease of HK\$10.6 million, or 36.4%, as compared with the net current assets as at 31 March 2016. Such decrease in our net current assets position was mainly due to decrease of bank balance from approximately HK\$52.2 million as at 31 March 2016 to approximately HK\$36.6 million as at 31 July 2016.

ANALYSIS OF VARIOUS ITEMS FROM THE STATEMENTS OF FINANCIAL POSITION

Fixed assets

Our Group's fixed assets mainly consist of plant and machinery and motor vehicles. Our site formation construction works require the use of machinery, such as hydraulic excavator, hydraulic hammer, drill rig, shotcrete machine and loader. The carrying amount of our Group's plant and equipment increased from approximately HK\$10.0 million as at 31 March 2014 to approximately HK\$14.7 million as at 31 March 2015 and further increased to approximately HK\$21.9 million as at 31 March 2016. Our Group invested continuously in machinery during the Track Record Period. For the three years ended 31 March 2016, our Group acquired additional machinery for approximately HK\$8.5 million, HK\$7.7 million and HK\$11.6 million, respectively at cost.

Gross amounts due from/to customers for contract work

Our revenue from construction contracts is recognised based on the stage of completion of the contracts. The stage of completion is established by reference to construction works certified. There is normally a timing difference between the completion of site works and

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the issuance of progress certificates and billing of the construction projects. Gross amounts due from customers for contract work represent the surplus derived when the contract costs incurred to date plus recognised profits less recognised losses exceed progress billings. Gross amounts due to customers for contract work represent the excess of progress billings over contract costs incurred to date plus recognised profit less recognised loss. The following table sets out our Group's gross amounts due from/to customers for contract work as at each reporting date:

	Year ended 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract costs incurred plus recognised profits			
less recognised losses	191,182	134,740	347,546
Less: Progress billings	<u>(192,547)</u>	<u>(159,453)</u>	<u>(357,232)</u>
	(1,365)	(24,713)	(9,686)
Amounts due from customers for contract work	439	763	19,822
Amounts due to customers for contract work	<u>(1,804)</u>	<u>(25,476)</u>	<u>(29,508)</u>
	<u><u>(1,365)</u></u>	<u><u>(24,713)</u></u>	<u><u>(9,686)</u></u>

The net amounts due to customers for contract work increased by HK\$23.3 million from approximately HK\$1.4 million as at 31 March 2014 to approximately HK\$24.7 million as at 31 March 2015. Such increase was mainly attributable to the tunnel excavation works project by drill and blast method with China State Construction. The surveyors of this project appointed by the main contractor had certified the payments of relevant works completed, but the costs of the relevant works have not yet been incurred as at 31 March 2015.

The net amounts due to customers for contract work decreased by HK\$15.0 million from approximately HK\$24.7 million as at 31 March 2015 to approximately HK\$9.7 million as at 31 March 2016. Such decrease was primarily attributable to the increase in amount due from customers for contract work as a result from a site formation, foundation, ELS and pile cap works for a railway extension project and a site formation, foundation, road and drainage works for a residential development project. These two projects have incurred substantial direct costs, but the surveyors of these projects appointed by the respective main contractors have not yet certified the payments of works completed as at 31 March 2016.

The gross amounts due from/to customers for contract work vary from period to period due to the impact from the difference in volume and value of construction works we performed close to the end of each reporting periods and timing when we received payment certificates from our customers.

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Trade and other receivables

The following table sets out the breakdown of trade and other receivables as at each reporting date:

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Trade receivables	4,849	646	6,770
Retention receivables	7,095	9,589	22,446
Prepaid listing expenses	–	–	783
Prepayments, deposits and other receivables	<u>30</u>	<u>725</u>	<u>2,688</u>
	<u>11,974</u>	<u>10,960</u>	<u>32,687</u>

After our customers issued the payment certificate, we will then issue an invoice to our customers. Our customer will usually retain 5% to 10% of each interim payment and up to a maximum limit of 2.5% to 5% of the contract sum as retention money. 50% of the retention money is released to us upon completion of a project and the remaining 50% will be released to us upon expiration of the defects liability period of a project. Please refer to the section “Business – Operation Flow” for details.

Trade receivables

Trade receivables decreased from approximately HK\$4.8 million as at 31 March 2014 to approximately HK\$0.6 million as at 31 March 2015 as a result of the repayment by our customers during the year ended 31 March 2015. Trade receivables then increased to HK\$6.8 million as at 31 March 2016 mainly due to the growth of our revenue for the year ended 31 March 2016.

Our Directors determine specific provision for doubtful debts on a case-by-case basis having regard to a number of factors, including the ageing of the receivable balance, results of follow-up procedures, customers' credit history and customers' financial position. During the Track Record Period, we did not make any provision for doubtful debts and we did not experience any difficulty in settling our trade receivables which caused a significant adverse impact to our business operation. In the event that we notice any events or changes in circumstances, which indicate the balances may not be collectible such as any financial, or liquidity problem of the customers that may result in difficulty in settling the outstanding payments, relevant provision of impairment of trade receivables would be made.

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Trade receivables are past due when our customers fail to make payment when due. The Group does not have a standardised and universal credit period granted to its customers, and the credit period of individual customer is considered on a case-by-case basis. The typical credit terms stipulated in the contracts during the Track Record Period were 21 days from the issue of payment certificate and 45 days from the submission of payment application. The following table sets forth the turnover days of the trade receivables for the periods indicated:

	Year ended 31 March		
	2014	2015	2016
Trade receivables turnover days (<i>Note</i>)	10.6 days	7.2 days	6.4 days

Note: Average trade receivables equal the average of trade receivables at the beginning and the end of period. Average trade receivables turnover days for the three years ended 31 March 2014, 2015 and 2016 equal average trade receivables divided by revenue for the relevant period and multiplied by 365 days.

Our trade receivables turnover days decreased from approximately 10.6 days for the year ended 31 March 2014 to approximately 7.2 days for the year ended 31 March 2015 and decreased slightly to approximately 6.4 days for the year ended 31 March 2016. Our trade receivables turnover days remained low during the Track Record Period mainly due to certain construction works completed but not yet certified by our customers as at each reporting date were included in the amounts due from/to customers for contract works, resulting a relatively low trade receivables balances as at each reporting date. For details of the amounts due from/to customers for contract works, please refer to note 17 of the Accountants' Report in Appendix I to this prospectus.

All of the trade receivables as at 31 March 2016 were subsequently settled as at Latest Practicable Date.

The following table sets forth a summary of aged analysis of trade receivables presented based on the certified report which approximates revenue recognition date and invoice date at the end of each reporting period, and net of impairment loss recognised:

	Year ended 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	4,849	646	6,401
31-60 days	–	–	365
61-120 days	–	–	4
	<u>4,849</u>	<u>646</u>	<u>6,770</u>

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The following table illustrates the ageing analysis of the trade receivables which are past due but not impaired, as at each reporting date:

	As at 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
61-120 days	—	—	4

Trade receivables of approximately HK\$4.8 million HK\$0.6 million and HK\$6.8 million as at 31 March 2014, 2015 and 2016 respectively were not yet past due, representing approximately 100.0%, 100.0%, and 99.9% of our trade receivables respectively.

The trade receivables balance which are past due but not impaired as at 31 March 2016 represented a customer with no historical defaults of payments and was subsequently settled as at Latest Practicable Date.

Retention receivables

Retention receivables amounted to approximately HK\$7.1 million, HK\$9.6 million and HK\$22.4 million as at 31 March 2014, 2015 and 2016 respectively. The significant increase as at 31 March 2016 was mainly attributable to the increased retention for a tunnel excavation works project and a site formation, foundation, ELS and pile cap works project.

We determine the provision for impairment of retention receivables on a project-by-project basis having regard to a number of factors, including the terms of release of retention money as agreed with customers, the ageing of the receivable balance, results of follow-up procedures, customers' credit history, customers' financial position and the current market condition. During the Track Record Period, no retention receivables was individually determined to be impaired.

Retention money is usually withheld by customers for a period of time until the end of the defect liability period or the receipt of final account. Approximately 43.7% of the retention receivables as at 31 March 2016 were subsequently settled as at Latest Practicable Date. The remaining outstanding retention receivables of HK\$12.6 million as at Latest Practicable Date mainly represented retention in relation to four projects in progress as at Latest Practicable Date and our Directors expected that these retention will be released after 31 March 2017. In view of the nature of retention receivables, past payment record and our collection experience with these customers, our Directors consider that the outstanding balances of retention receivables are collectible.

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Prepayments, deposits and other receivables

The following table sets out a summary of our prepayments, deposits and other receivables at as at each reporting period indicated:

	As at 31 March		
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
Prepayments	30	431	13
Deposits	–	1	114
Other receivables	–	293	2,561
	<u>30</u>	<u>725</u>	<u>2,688</u>

Prepayments represent prepayment for machinery and parts. Deposits mainly represent utility deposits. The balance of other receivables as at 31 March 2016 mainly represents payment in advance to our subcontractor, which will be utilised in the future.

Amounts due from directors

The amount due from our Directors are unsecured, interest-free, repayable on demand and non-trade nature. The amount due from directors amounted to approximately HK\$9.3 million, HK\$30.5 million and HK\$93,000 as at 31 March 2014, 2015 and 2016 respectively. During the year ended 31 March 2016, the shareholders of C&H agreed to repay the dividends of HK\$20.0 million by way of set-off against the amounts due from directors. Our Group's amounts due from directors mainly include advances to directors. All balances due from directors are fully settled as at the Latest Practicable Date.

Bank balances

The bank balances amounted to approximately HK\$2.7 million, HK\$31.1 million and HK\$52.2 million as at 31 March 2014, 2015 and 2016 respectively. The increase in bank balances as at 31 March 2014 and 2015 were primarily due to increase in cash generated from operations.

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Trade and other payables

The following table sets out a breakdown of our trade and other payables as at each reporting date:

	As at 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	7,469	6,115	18,195
Retention payables	1,950	2,372	6,028
Accrued expenses and other payables	<u>2,475</u>	<u>2,849</u>	<u>7,573</u>
	<u><u>11,894</u></u>	<u><u>11,336</u></u>	<u><u>31,796</u></u>

Trade payables

Trade payables principally comprise payables to (i) the suppliers of construction materials, diesel fuel, machinery, parts and consumables and explosive; and (ii) subcontractors for our projects. Our Group also retained retention money from our subcontractors at an agreed rate of each interim payment made to us and up to an agreed maximum limit in some cases. Other payables and accruals mainly represent (i) accruals for office staff salaries and allowances; and (ii) advance payment from our main contractors.

Trade payables decreased from approximately HK\$7.5 million as at 31 March 2014 to HK\$6.1 million as at 31 March 2015, mainly attributable to a settlement of a balance due to a supplier of machinery amounted to approximately HK\$1.3 million for the year ended 31 March 2015. Trade payables increased from approximately HK\$6.1 million as at 31 March 2015 to approximately HK\$18.2 million as at 31 March 2016, mainly due to increase in subcontracting charges resulting from undertaking more site formation projects.

The following table sets out the turnover days of trade payables for the periods indicated:

	As at 31 March		
	2014	2015	2016
Trade payables turnover days (<i>Note</i>)	36.1 days	23.8 days	26.5 days

Note: Average trade payables equal the average of trade payables at the beginning and the end of the period. Average trade payables turnover days for the three years ended 31 March 2014, 2015 and 2016 equal average trade payables divided by direct costs for the relevant period and multiplied by 365 days.

Our trade payables turnover days decreased from approximately 36.1 days for the year ended 31 March 2014 to approximately 23.8 days for the year ended 31 March 2015 and slightly increased to approximately 26.5 days for the year ended 31 March 2016. While our major suppliers granted us credit terms of 30 to 60 days, our subcontractors granted us credit terms of 30 to 45 days upon receipt of payment application.

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The following table illustrates the ageing analysis of the trade payables based on invoice date as at each reporting date:

	As at 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	5,785	1,711	12,317
31-60 days	752	1,983	5,269
61-90 days	524	164	290
91-365 days	408	397	319
Over 1 year	—	1,860	—
	<u>7,469</u>	<u>6,115</u>	<u>18,195</u>

All of the trade payables as at 31 March 2016 were subsequently settled up to the Latest Practicable Date.

Retention payables

Retention payables represent the amounts we withheld from progress payments to our subcontractors. We may hold up a certain percentage of each interim payment made to the subcontractors as retention money. Such percentage is generally 10%, subject to a ceiling of up to 5% of the total contract sum of the projects in general. Unless otherwise agreed, the retention monies or such portion thereof shall be held for twelve months after the satisfactory completion of the subcontracting works.

With the increase in number of site formation projects, we engaged more subcontractors which increased the balance of our retention payables from approximately HK\$2.0 million as at 31 March 2014 to approximately HK\$2.4 million as at 31 March 2015 and further to approximately HK\$6.0 million as at 31 March 2016. As at 31 March 2014, 2015 and 2016, our retention payables of approximately HK\$2.0 million, HK\$2.4 million, and HK\$6.0 million, respectively, representing approximately 100.0%, 100.0% and 100.0% of our retention payables, respectively, were expected to be settled after one year.

FINANCIAL INFORMATION

Accrued expenses and other payables

The following table sets forth a summary of accrued expenses and other payables as at each reporting date:

	As at 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other payables	229	126	5,018
Accrued expenses	<u>2,246</u>	<u>2,723</u>	<u>2,555</u>
	<u>2,475</u>	<u>2,849</u>	<u>7,573</u>

The balance of other payables as at 31 March 2016 mainly represent advance payment from the main contractors. Accrued expenses mainly represent accrued salaries and allowance for the direct labours and staff at our office headquarters.

Amount due to a related company

The amount due to a related company was unsecured, interest-free and repayable on demand. The amount due to a related company amounted to approximately HK\$1.0 million, HK\$57,000 and Nil as at 31 March 2014, 2015 and 2016 respectively. Our Group's amounts due from a related company mainly include trade-related balances occurred during the Track Record Period. All balances due to the related company are fully settled as at the Latest Practicable Date.

Tax payables

The tax payable balances of our Group were approximately HK\$1.2 million, HK\$5.8 million and HK\$10.8 million as at 31 March 2014, 2015 and 2016 respectively. The increase in tax payable was mainly due to the increase in the overall profit before taxation during each of the reporting period.

Saved as disclosed above, we have paid all relevant taxes in accordance with tax regulations and have not had any disputes or unresolved tax issues with the relevant tax authorities.

FINANCIAL INFORMATION

INDEBTEDNESS

The following table sets out our Group's indebtedness as at the respective financial position dates:

	As at 31 March			As at
	2014	2015	2016	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)
Current liabilities				
Unsecured bank overdraft	–	42	–	–
Unsecured bank borrowings	3,347	1,828	248	–
Obligations under finance leases	1,029	2,629	3,391	3,488
Non-current liabilities				
Obligations under finance leases	2,472	3,053	3,547	2,975

Unsecured bank borrowings and unsecured bank overdrafts

Our Group has unsecured bank overdraft of nil, HK\$42,000, nil and nil as at 31 March 2014, 2015, 2016 and 31 July 2016 respectively. All unsecured bank overdraft is repayable on demand. As at 31 March 2015, unsecured bank overdraft carried floating interest rate at 15.25% per annum.

	As at 31 March			As at
	2014	2015	2016	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)
Amounts due within one year shown under current liabilities	1,519	1,580	248	–
Carrying amount of unsecured bank borrowings that are not repayable on demand or within one year from the end of each reporting period not contain a repayment on demand clause	<u>1,828</u>	<u>248</u>	<u>–</u>	<u>–</u>
	<u>3,347</u>	<u>1,828</u>	<u>248</u>	<u>–</u>

Our Group has unsecured bank borrowings of HK\$3.3 million, HK\$1.8 million, HK\$0.2 million and nil as at 31 March 2014, 2015, 2016 and 31 July 2016 respectively. As at 31 July 2016, our Group has no other banking facilities except the obligation under finance leases as set out in the below paragraph in this section.

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Our Group's unsecured bank borrowings and unsecured bank overdraft were primarily used in financing the working capital requirement of our operating activities. With the increase in cash flow from operating activities, our Group continuously settled unsecured bank borrowings during each of the Track Record Period, which led to the decrease in our borrowings as at 31 March 2015 and 2016 respectively.

As at 31 March 2014, 2015 and 2016 and 31 July 2016, the unsecured bank borrowings were guaranteed by personal guarantees given by the Company's directors, Ms. Choi and Mr. Tang. The directors of the Company confirmed that personal guarantees given by the Company's directors will be released or replaced by the Group's corporate guarantee upon Listing.

As at 31 March 2014, 2015 and 2016, the unsecured bank borrowings carried interest rates ranging from 5.70% to 11.08% per annum, at 5.70% per annum and at 5.70% per annum respectively.

During the Track Record Period and as at the Latest Practicable Date, the bank borrowing agreements were entered into with the lenders under normal standard terms and conditions. Our Directors confirm that our Group has not experienced any difficulty in obtaining bank borrowings, default in payment on bank borrowings or breach of finance covenants during the Track Record Period and up to the Latest Practicable Date and that they do not foresee any difficulty for our Group in obtaining bank borrowing after the Latest Practicable Date.

Our Directors confirm that our Group does not have any material external debt financing plans as at the Latest Practicable Date.

Obligations under finance leases

During the Track Record Period, we acquired certain machinery and motor vehicles by way of finance leases arrangement mainly through banks and machinery and motor vehicle providers.

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As at 31 March 2014, 2015, 2016 and 31 July 2016, our total finance lease liabilities (including both current and non-current portions) were approximately HK\$3.5 million, HK\$5.7 million, HK\$6.9million and HK\$6.5 million, respectively. The carrying amount of all finance lease liabilities are denominated in HK dollars.

	As at 31 March			As at 31 July
	2014	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (unaudited)
Amounts payable under finance leases				
Within one year	1,147	2,808	3,625	3,701
More than one year but less than two years	941	2,017	2,692	2,410
More than two years but less than five years	<u>1,680</u>	<u>1,145</u>	<u>969</u>	<u>657</u>
	3,768	5,970	7,286	6,768
Less: future finance charges	<u>(267)</u>	<u>(288)</u>	<u>(348)</u>	<u>(305)</u>
Present value of obligations under finance leases	<u><u>3,501</u></u>	<u><u>5,682</u></u>	<u><u>6,938</u></u>	<u><u>6,463</u></u>

The present value of finance lease liabilities is as follows:

	As at 31 March			As at 31 July
	2014	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (unaudited)
Within one year	1,029	2,629	3,391	3,488
More than one year but less than two years	862	1,933	2,593	2,329
More than two years but less than five years	<u>1,610</u>	<u>1,120</u>	<u>954</u>	<u>646</u>
	<u><u>3,501</u></u>	<u><u>5,682</u></u>	<u><u>6,938</u></u>	<u><u>6,463</u></u>

The obligations under finance leases carried interest at floating rates from 4.5% to 4.8% per annum and at fixed rates from 3.8% to 5.0% per annum during the Track Record Period and ranged from 3.8% to 5.0% per annum as at 31 July 2016.

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Our Group's obligations under finance leases were secured by the lessor's charge over the leased assets and personal guarantee given by the Company's directors, Ms. Choi and Mr. Tang as at 31 March 2014, 2015, 2016 and 31 July 2016. The directors of the Company confirmed that the personal guarantee given by the Company's directors in respect of the finance leases will be released upon Listing.

Except as disclosed above, as of 31 July 2016, we did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities.

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period primarily comprised of additions to plant and equipment in line with our business expansion. The following table sets out our Group's capital expenditure for the periods indicated. Our capital expenditures were financed by finance leases and funded by cash generated from operations.

	Year ended 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Plant and machinery	8,485	7,678	11,629
Motor vehicles	4,333	1,470	3,857
Furniture and fixtures	166	1	80
Leasehold improvements	—	—	79
	<u>12,984</u>	<u>9,149</u>	<u>15,645</u>

FINANCIAL INFORMATION

COMMITMENTS

Operating lease commitments – Group as lessee

At each of the reporting date, the total future minimum leases payments payable under non-cancellable operating leases were payable as follows:

	As at 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	–	18	288
In the second to fifth year inclusive	–	–	48
	<u>–</u>	<u>18</u>	<u>336</u>

As at 31 March 2016, our Group was the lessee in respect of one property under operating leases. The leases run for an initial period of one to two years, with an option to renew the leases with all terms to be negotiated. None of the leases includes contingent rentals.

Contingent liabilities

We had no significant contingent liabilities as at 31 March 2014, 2015 and 2016.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Our Group did not enter into any material off-balance sheet arrangements or commitments.

KEY FINANCIAL RATIOS

	As at/for the year ended 31 March		
	2014	2015	2016
Current ratio ¹	1.2	1.6	1.4
Gearing ratio ²	61.7%	20.4%	15.9%
Debt to equity ratio ³	37.0%	N/A	N/A
Interest coverage ⁴	64.9	80.0	93.3
Return on assets ⁵	28.1%	29.2%	22.4%
Return on equity ⁶	86.9%	69.8%	62.9%
Net profit margin ⁷	11.5%	18.4%	13.5%

Notes:

- The current ratio is calculated by dividing current assets with current liabilities as at the end of each reporting period.

FINANCIAL INFORMATION

2. The gearing ratio is calculated based on debts including payables incurred not in the ordinary course of business divided by the total equity as at the end of each reporting period.
3. Debt to equity ratio is calculated by the net debt (all borrowings net of cash and cash equivalents) divided by the total equity as at the end of each reporting year.
4. Interest coverage is calculated by the profit before interest and tax divided by the interest for the respective year.
5. Return on assets is calculated by the total comprehensive income for the year or period divided by the total assets as at the end of each reporting year and multiplied by 100%.
6. Return on equity is calculated by the total comprehensive income for the year divided by the total equity as at the respective year or period end and multiplied by 100%.
7. The net profit margin is calculated by dividing the net profit by the revenue for the respective year multiplied by 100%.

Current ratio

Our current ratio remained relatively stable at 1.2, 1.6 and 1.4 as at 31 March 2014, 2015 and 2016 respectively. Please refer to the paragraph headed “Net current assets” in this section for details.

Gearing ratio

Our gearing ratio was approximately 61.7%, 20.4% and 15.9% as at 31 March 2014, 2015 and 2016 respectively. Our gearing ratio decreased significantly over the Track Record Period mainly attributable to (i) the decrease of our bank borrowings throughout the Track Record Period and (ii) increase in our equity due to the increase in retained profits as a result of our net profit growth over the Track Record Period.

Debt to equity ratio

Our debt to equity ratio was 37.0% as at 31 March 2014. There is no net debt as at 31 March 2015 and 2016 and thus the ratio is not applicable. Further details on our borrowings and financial performance are set out in the paragraphs “Indebtedness” and “year-to-year comparison of results of operations” in this section.

Interest coverage

Our interest coverage was approximately 64.9 times, 80.0 times and 93.3 times as at 31 March 2014, 2015 and 2016 respectively. Our interest coverage increased over the Track Record Period mainly because our operating profit increased as a result of the continuing business growth and thus, the increase in our revenue. Further details on our financial performance are set out in the paragraph “year-to-year comparison of results of operations” in this section.

FINANCIAL INFORMATION

Return on assets

Our return on assets was approximately 28.1%, 29.2% and 22.4% for the years ended 31 March 2014, 2015 and 2016 respectively. Our return on asset slightly increase for the year ended 31 March 2015 as compared to 31 March 2014 primarily due to the increase in our net profit for the year ended 31 March 2015. A decrease is recorded for the year ended 31 March 2016 comparing to the year ended 31 March 2015 because the increase in return is not as much as the increase in assets as we purchased more machinery to cater projects of different scale and more trade and other receivables were recorded as at 31 March 2016 which was in line with our revenue growth.

Return on equity

Our return on equity was approximately 86.9%, 69.8% and 62.9% for the years ended 31 March 2014, 2015 and 2016 respectively. A decrease is recorded over the Track Record Period because the increase in return is not as much as the increase in equity in terms of percentage.

Net profit margin

Our net profit margin was approximately 11.5%, 18.4% and 13.5% for the three years ended 31 March 2016 respectively. An increase is recorded for the year ended 31 March 2015 as compared to the year ended 31 March 2014 primarily due to the increase in gross profit margin. A decrease is recorded for the year ended 31 March 2016 as compared to 31 March 2015 primarily due to the listing expenses of approximately HK\$2.8 million incurred for the year ended 31 March 2016.

RELATED PARTY TRANSACTIONS

With respect to the related party transaction set out in note of section A to the Accountants' Report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms and/or such terms were no less favourable to us than terms available from Independent Third Parties and were fair and reasonable and in the interest of the Shareholders as a whole. Our Directors further confirm that such related party transactions did not distort our Group's results during the Track Record Period and would not make our Group's historical results not reflective of future performance.

FINANCIAL AND CAPITAL RISK MANAGEMENT

Our Group is exposed to credit risk, interest rate risk and liquidity risk in the normal course of business. For further details of our financial risk management, please refer to note 6 of the Accountants' Report in Appendix I to this prospectus.

FINANCIAL INFORMATION

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma adjusted combined net tangible assets of our Group has been prepared, on the basis of the notes set forth below, for the purpose of illustrating the effect of the Share Offer as if it had taken place on 31 March 2016. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true picture of the combined net tangible assets of our Group as at 31 March 2016 or at any future date following the Share Offer.

	Audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 March 2016 <i>HK\$'000</i> <i>(note 1)</i>	Estimated net proceeds from the Share Offer <i>HK\$'000</i> <i>(note 2)</i>	Unaudited pro forma adjusted combined net tangible assets of our Group attributable to the owners of the Company immediately after the completion of the Share Offer <i>HK\$'000</i>	Unaudited pro forma adjusted combined net tangible assets of our Group attributable to the owners of the Company per Share as at 31 March 2016 <i>HK\$</i> <i>(note 3)</i>
Based on Offer Price of HK\$0.70 per Share	45,202	82,920	128,122	0.17

Notes:

1. The audited combined net tangible assets of our Group attributable to the owners of the Company as at 31 March 2016 is extracted from the Accountants' Report as set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Share Offer are based on 140,000,000 new Shares at the Offer Price of HK\$0.70 per Share, after deducting the underwriting fees and other related expenses payable by our Group in relation to the Share Offer and do not take into account of any Shares which may be issued upon the exercise of the Over-allotment Options and any options which may be granted under the Share Option Scheme.
3. The unaudited pro forma adjusted combined net tangible assets of our Group attributable to the owners of the Company per Share is arrived at after adjustment for the estimated net proceeds from the Share Offer as described in note 2 and on the basis that a total of 740,000,000 Shares were in issue as at 31 March 2016 (including Shares in issue as at the date of this prospectus and those shares are expected to be issued pursuant to the Share Offer and the Capitalisation Issue, but not taking into account of any Shares which may be issued upon the exercise of the Over-allotment Options and any options which may be granted under the Share Option Scheme).

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4. No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of our Group attributable to the owners of the Company to reflect any trading results or other transactions of our Group entered into subsequent to 31 March 2016.
5. The unaudited pro forma adjusted combined net tangible assets and the unaudited pro forma adjusted combined net tangible assets per Share do not taken into account the interim dividend declared for payment on 30 May 2016 amounting to HK\$19.0 million, all of which was settled on 31 May 2016. The unaudited pro forma adjusted combined net tangible assets per Share would have been reduced to approximately HK\$0.15 per Share, after taking into account the payment of such dividend in the sum of HK\$19.0 million.

LISTING EXPENSES

Our estimated expenses in relation to the Listing, including underwriting commissions, are approximately HK\$24.7 million, which will be borne as to approximately HK\$18.7 million by us and as to approximately HK\$6.0 million by the Selling Shareholder. Out of the amount of approximately HK\$18.7 million, approximately HK\$6.1 million is directly attributable to the issue of new Shares to the public and will be accounted for as a deduction from equity upon completion of the Share Offer. The remaining estimated listing expenses of approximately HK\$12.6 million, was or will be charged to profit or loss, of which approximately HK\$2.8 million was charged for the year ended 31 March 2016 and approximately HK\$9.8 million is expected to be incurred for the year ended 31 March 2017. This calculation is based on the Offer Price of HK\$0.70 per Offer Share and the assumption that 185,000,000 Shares are to be offered under the Share Offer and is subject to the adjustment based on the actual amount incurred or to be incurred. Expenses in relation to the Listing are non-recurring in nature. Our Group's financial performance and results of operation for 31 March 2017 will be affected by the estimated expenses in relation to the Listing.

DIVIDEND AND DISTRIBUTABLE RESERVES

Our Group did not declare any dividend for the years ended 31 March 2014 and 2015. For the year ended 31 March 2016, our Group declared and paid dividends of HK\$20.0 million to the shareholders of C&H now comprising our Group. During the year ended 31 March 2016, the shareholders of C&H agreed to repay the dividends by way of set-off against their respective amount due to C&H. In May 2016, our Group declared dividends of HK\$19.0 million, to the then shareholders. The declared dividends of HK\$19.0 million was settled in May 2016. The declaration and payment of future dividends will be subject to the decision of the Board having regard to various factors, including but not limited to our results of operations and financial performance, profitability, business development, prospects, capital requirements, and economic outlook. It is also subject to the approval of our Shareholders as well as any applicable laws. The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payout ratio.

As at the Latest Practicable Date, our Company has no distributable reserves available for distribution to our Shareholders.

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DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as of the Latest Practicable Date, there were no circumstances which, had they been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

MATERIAL ADVERSE CHANGE

Save as disclosed in the paragraph headed “Listing Expenses” in this section, our Directors confirmed that since 31 March 2016 and up to the date of this prospectus, (i) there had been no material adverse change in the market conditions or the industry and environment in which our Group operates that materially and adversely affect our financial and operating position; (ii) there was no material adverse change in the trading and financial position or prospect of our Group; and (iii) no event had occurred that would materially and adversely affect the information shown in the Accountants’ Report set out in Appendix I in this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please refer to the section “Business – Business Strategies” for detailed description of our future plans.

USE OF PROCEEDS

We estimate that the aggregate net proceeds from the Share Offer, after deducting related underwriting fees and estimated expenses in connection with the Share Offer, will be approximately HK\$79.3 million. Our Directors presently intend to apply such net proceeds as follows:

- approximately HK\$47.2 million, representing approximately 59.5% of the net proceeds, will be used to purchase machinery and equipment comprising drill rigs, hydraulic excavators, air compressors, crawler cranes, hydraulic hammers and shotcrete machines required for our site formation projects (collectively referred to as the “**site formation machinery**”). All of our machinery and equipment are substantially deployed to various construction sites for our projects and none of our machinery and equipment were left idle as at the Latest Practicable Date. We consider that it is imperative to expand our fleet of site formation machinery taking into account (i) our demand for site formation machinery for our contracts on hand, newly awarded contracts and contracts that we will submit the tender for the year ending 31 March 2017 and (ii) the need to replace aged machinery and equipment with reference to their operating condition and the cost effectiveness of such replacement.

The following table sets out the usage information of our major types of machinery and equipment as at 31 March 2016:

Type of machinery and equipment	Weighted average age (years)	Expected useful life (years)
Hydraulic excavator	3.4	4.0
Hydraulic hammer	8.1	4.0
Drill rig	3.4	4.0
Jumbo drill rig	1.0	4.0
Shotcrete machine	2.5	4.0
Loader	1.0	4.0
Air compressors	6.7	4.0
Total:	<u>5.2</u>	<u>4.0</u>

Pursuant to our accounting policies, depreciation of machinery and equipment is provided for using straight-line method over a period of four years. As indicated above, certain of our machinery including drill rigs, hydraulic excavators, air compressors and hydraulic hammers are close to full depreciation or fully depreciated. We do not have a pre-determined or regular replacement cycle for

FUTURE PLANS AND USE OF PROCEEDS

our machinery. Replacement decisions are made on a case-by-case basis having regard to the operating condition of each unit of machinery, the cost effectiveness of replacing only the malfunctioning parts and the customers' requirements. More importantly, we consider that it is imperative to upgrade our fleet of site formation machinery and strengthen our execution efficiency by replacing aged machinery with upgraded models. These upgraded models of machinery are expected to be more environmentally friendly with better operating efficiency and lower maintenance cost as compared to aged machinery. In particular, these new models include machinery which comply with the emission standard prescribed under the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation as well as machinery with proper QPME (Quality Powered Mechanical Equipment) label issued by the Environmental Protection Department which are expected to be notably quieter and more efficient than aged machinery. Our Directors believe that our customers expect a site formation contractor to keep upgrading its fleet of machinery with better efficiency and environmental-friendliness and our machinery upgrade will enhance our competitiveness among site formation contractors. We therefore plan to purchase four drill rigs (out of which one will be used to replace our existing drill rig), 11 hydraulic excavators (out of which five will be used to replace our existing hydraulic excavators), four air compressors, two crawler cranes, 20 hydraulic hammers (out of which 17 will be used to replace our existing hydraulic hammers) and additional two shotcrete machines. For any shortfall (if any) of the site formation machinery in the future, our Group may obtain additional site formation machinery through leasing from other machinery providers or purchasing additional site formation machinery with our Group's internal resources and/or bank borrowing. Each drill rig, hydraulic excavator, air compressor, crawler crane, hydraulic hammer and shotcrete machine cost approximately HK\$2.5 million, HK\$1.3 million to HK\$2.0 million, HK\$0.5 million, HK\$2.0 million, HK\$0.4 million and HK\$2.0 million, respectively. The following table sets out a breakdown on the number of site formation machinery to be purchased for the two years ending 31 March 2018 involving the use of proceeds from the Share Offer:

	Year ending 31 March 2017					Year ending 31 March 2018		Total number of machinery to be purchased
	Number of machinery to be purchased for:							
Type of machinery to be purchased	Project No.1 <i>(Note 1)</i>	Project No.2 <i>(Note 2)</i>	Project No.3 <i>(Note 3)</i>	Overall project need <i>(Note 4)</i>	Projects to be tendered by us <i>(Note 5)</i>	Overall project need <i>(Note 4)</i>	Projects to be tendered by us <i>(Note 5)</i>	
Drill rig	1	1	1	-	1	-	-	4
Hydraulic excavator	1	3	1	-	-	-	6	11
Air compressor	1	1	1	-	1	-	-	4
Crawler crane	-	1	-	-	-	-	1	2
Hydraulic hammer	-	-	-	12	-	5	3	20
Shotcrete machine	-	1	-	-	-	-	1	2

Total: 43

FUTURE PLANS AND USE OF PROCEEDS

The amounts of net proceeds to be allocated to the purchase of machinery and equipment for existing projects, overall project needs and projects that will be tendered for amount to approximately HK\$21.6 million, HK\$6.8 million and HK\$18.8 million, respectively.

Note:

1. Project No.1 refers to a newly awarded project relating to ELS works and pile cap construction for a hotel project with an awarded contract value of approximately HK\$12.3 million. This project is scheduled to commence in September 2016 and is expected to complete within three months after commencement of the project. We plan to purchase one drill rig, one hydraulic excavator and one air compressor to enhance our technical capability for this project.
2. Project No.2 refers to a newly awarded project relating to site formation and geotechnical works for a residential and kindergarten development project with an awarded contract value of approximately HK\$62.0 million which is scheduled to commence in June 2016. We plan to purchase one drill rig, three hydraulic excavators, one air compressor, one crawler crane and one shotcrete machine to enhance our technical capability for this project.
3. Project No.3 refers to a newly awarded project relating to excavation and underground drainage works for a construction project of Government complex with an awarded contract value of approximately HK\$14.8 million which has commenced in May 2016. We plan to purchase one drill rig, one hydraulic excavator and one air compressor to enhance our technical capability for this project.
4. We plan to purchase 12 and five hydraulic hammers for our overall project needs for the two years ending 31 March 2018, respectively. A hydraulic hammer is a part fitted to an excavator for demolition, construction and quarrying purpose. A hydraulic hammer is not reserved specifically for a particular project. They can be dismounted from an excavator and used for different projects in different construction sites, subject to project needs, works schedule and customers' requirements. Hence, the 17 hydraulic hammers, which were used to replace our existing hydraulic hammers, are not reserved specifically for any existing project or future projects. Hence, the use of these hydraulic hammers is classified as "overall project needs".
5. For purposes of our future business development and increasing our tender success rate for projects that we will tender for, (i) for the year ending 31 March 2017, we plan to purchase one drill rig and one air compressor; and (ii) for the year ending 31 March 2018, we plan to purchase six hydraulic excavators, one crawler crane, three hydraulic hammers and one shotcrete machine.

FUTURE PLANS AND USE OF PROCEEDS

- approximately HK\$14.8 million, representing approximately 18.7% of the net proceeds, will be used for expansion of our workforce both at office level and worksite level (including additional plant operators to service our fleet of site formation machinery) for the two years ending 31 March 2018. To ensure that we have sufficient manpower for newly awarded contracts and contracts that we will tender for the two years ending 31 March 2018, we intend to increase the number of our staff by 37. The following table sets out a breakdown on the number of staff to be recruited for the two years ending 31 March 2018 involving the use of proceeds from the Share Offer:

	Year ending 31 March 2017			Year ending 31 March 2018		Total number of staff to be recruited
	Number of staff to be recruited for:					
Position	Project No.1 <i>(Note 1)</i>	Project No.2 <i>(Note 2)</i>	Overall project need <i>(Note 3)</i>	Projects to be tendered by us <i>(Note 4)</i>	Overall project need <i>(Note 3)</i>	
Quantity surveyor	-	-	1	-	-	1
Quantity surveying manager	-	-	1	-	-	1
Procurement manager	-	-	1	-	-	1
Procurement staff	-	-	-	-	1	1
Engineering manager	-	-	-	-	1	1
Foreman	1	1	-	1	-	3
Plant Operator	3	4	-	8	-	15
General site workers	2	4	-	8	-	14

Total: 37

The amounts of net proceeds to be allocated to the recruitment of additional staff for existing projects, overall project needs and projects that will be tendered for amount to approximately HK\$5.7 million, HK\$2.9 million and HK\$6.2 million, respectively.

Note:

- Project No.1 refers to a newly awarded project relating to ELS and pile cap construction for a hotel project with an awarded contract value of approximately HK\$12.3 million. This project is scheduled to commence in September 2016 and is expected to complete within three months after commencement of the project. We plan to recruit one foreman, three plant operators and two general site workers to ensure we have sufficient on-site workforce for this project.
- Project No.2 refers to a newly awarded project relating to site formation and geotechnical works for a residential and kindergarten development project with an awarded contract value of approximately HK\$62.0 million which is scheduled to commence in June 2016. We plan to recruit one foreman, four plant operators and four general site workers to ensure we have sufficient on-site workforce for this project.
- For the two years ending 31 March 2018, we plan to recruit (i) one quantity surveyor, one quantity surveying manager and one procurement manager and (ii) one procurement staff and one engineering manager, respectively, to strengthen our project implementation capability for our overall project needs. These staff are all office staff who are not reserved specifically for a

FUTURE PLANS AND USE OF PROCEEDS

particular project and they perform their duties concurrently for different projects, subject to project needs and works schedule. Hence, the use of these staff is classified as “overall project needs”.

4. For our future business development, we plan to recruit one foreman, eight plant operators and eight general site workers to ensure we have sufficient on-site workforce for projects that we will tender and secure for the year ending 31 March 2018.

Given the shortage of skilled labour in the construction industry in Hong Kong, we intend to maintain competitive market remuneration and enhance fringe benefits for our staff and improve their working environment so as to create a more stabilised workforce. We will also continue and extend our on-going training programs to our staff to improve their skills and their capabilities, so that they could perform their work more efficiently and effectively.

- approximately HK\$10.0 million, representing approximately 12.6% of the net proceeds, will be earmarked to secure a new contract relating to a site formation project at the Hong Kong International Airport and other contracts we plan to tender for the year ending 31 March 2017. Based on the Directors’ understanding, according to the conditions of tender for these contracts, a subcontractor may be required to take out surety bonds issued by banks or insurance companies in the amount of certain percentage of the contract sum in favour of the potential customers. Our Directors consider that if we are to expand our business and undertake more site formation projects, we must continue to enhance our available financial resources and strengthen our liquidity position to satisfy the surety bond requirement for projects that may potentially be awarded to us; and
- approximately HK\$7.3 million or approximately 9.2% of the net proceeds will be used as general working capital of our Group.

To the extent that the net proceeds are not immediately applied to the above purposes due to any factors, and to the extent permitted by applicable laws and regulations, we will carefully evaluate the situations and it is our present intention to deposit the net proceeds into short-term demand deposits with authorised financial institutions and/or licensed banks in Hong Kong.

We will issue an announcement in the event that there is any material change in the use of proceeds of the Share Offer as described above.

We estimate that the net proceeds to the Selling Shareholder from the sale of the Sale Shares (after deduction of proportionate underwriting fees and estimated expenses payable by the Selling Shareholder in relation to the Share Offer) will be approximately HK\$25.5 million. Our Company will not receive any of the proceeds from the sale of the Sale Shares.

REASONS FOR THE LISTING

It is our Group’s business strategy to expand our market share and compete for more site formation projects. The number of site formation projects we are able to undertake hinges on (a) the availability of our operational resources including the size of its site formation machinery and available manpower resources; and (b) available working capital:

FUTURE PLANS AND USE OF PROCEEDS

- For a site formation project of larger scale and higher complexity, possession of sufficient machinery and equipment is critical to our project execution and maintaining our works quality. We have kept a log book to record the usage of the machinery and equipment in all projects. During the Track Record Period, our machinery and equipment were substantially deployed to different construction site for our projects. For illustrative purpose, for the three years ended 31 March 2016, the average number of units of machinery and equipment put to use by our Group on a weekly basis (i.e. the aggregate of number of machinery and equipment put in use for all projects for each week during the year divided by 52 weeks) were approximately 31, 49 and 67 and approximately 56.1%, 89.4% and 14.1% of the total average units of machinery and equipment, were put to use for our largest project (in terms of the amount of revenue recognised in the respective financial year). The relatively low level of usage of machinery and equipment rate for the largest project during the year ended 31 March 2016 was due to (i) the fact that the commencement of such project was in August 2015 and (ii) the additions of 18 new machinery and equipment during the year ended 31 March 2016. However, taken into account the three largest projects in terms of the amount of revenue recognised for the year ended 31 March 2016, these three largest projects already used up approximately 63.4% of the total average units of machinery and equipment in that year. Although our Group is approaching its maximum service capacity, our work has been increasingly recognised by the potential customers and the industry and the number of tender invitation received from our potential customers has increased throughout the Track Record Period, from 17 for the year ended 31 March 2014 to 41 for the year ended 31 March 2015 and further increased to 82 for the year ended 31 March 2016. Due to the limit on the number of machinery and equipment on hand, we could be restricted to undertaking a limited number of site formation projects of larger scale and higher complexity if the quantity of site formation machinery and equipment does not catch up with our business growth. As we expand our fleet of machinery and equipment, it is imperative to recruit sufficient number of plant operators to operate the machinery whereas recruitment of sufficient number of site workers is necessary to cater for our project needs if we take on more site formation projects. Furthermore, in tendering for new projects, availability of machinery and manpower resources are among the key assessment criteria. To increase our tender success rate for the projects to be tendered, it is necessary for us to enhance our competitiveness by establishing a stronger fleet of machinery and a stronger workforce. As such, our Directors believe that we have immediate needs to raise funds to purchase 13 additional site formation machinery and equipment (including one drill rig, one air compressor, six hydraulic excavators, one crawler crane, three hydraulic hammers and one shotcrete machine) and recruit 17 site staff (including one foreman, eight plant operator and eight general site workers) to compete for more site formation projects of larger scale and higher complexity in the future.

- As regards working capital, for construction projects in Hong Kong, it is not uncommon for contractors to be required to arrange with banks to provide surety bonds or directors and/or shareholders of contractors to provide personal guarantee in the amount of certain percentage (usually 10%) of the contract sum

FUTURE PLANS AND USE OF PROCEEDS

to their customers to ensure contractor's due performance and observance of a subcontract. For details of these personal guarantees, please refer to the section headed "Relationship with the Controlling Shareholders – Independence from Controlling Shareholders – Financial independence" in this prospectus. Our Group will take out a surety bond before the Listing, on a stand-alone basis, from an independent authorised insurer in the amount of up to 10% of the contract sum in favour of China State Construction to secure the due performance of our Group's obligations under the said contract. The surety bond requirement may result in the lock-up of a portion of our Group's capital during the term of the surety bond and thereby affecting our liquidity position. Our Directors believe that the Listing will provide sufficient financial resources to satisfy our Group's liquidity position and meet the surety bond requirement and other working capital requirements for the projects.

Our Directors believe that despite the recent slowdown in the site formation industry, there are still considerable business opportunities and growth drivers in the site formation industry which justify our Group's expansion plan to compete for more site formation projects. According to the Euromonitor Report, growth in site formation industry is expected to be moderate and will pick up in 2017 in view of the commencement of mega public infrastructure projects such as the Tseung Kwan O-Lam Tin Tunnel project and Central Kowloon Route which our Group is planning to tender for, subject to availability of our Group's site formation machinery and manpower resources. Also, the Government's support on cavern development and its long-term planning for infrastructure projects, including housing sites in Yuen Long South, developing New Territories North, Lantau-Tung Chung New Town Extension and Tseung Kwan O-Lam Tin Tunnel project and Central Kowloon Route, are expected to drive up the demand for rock-related site formation service that our Group has the strong expertise for. For details of the growth drivers and future business opportunities, please refer to the section headed "Industry Overview – Growth drivers and opportunities to the site formation industry in Hong Kong" in this prospectus.

Our Directors believe that the Listing is beneficial to our Company and its Shareholders as a whole for the following reasons:

- Our Directors believe that the Listing will facilitate the implementation of our business strategies. As stated in the section headed "Business – Business strategies" in this prospectus, we plan to expand our market share in the site formation industry in Hong Kong by competing for more site formation projects in Hong Kong through acquisition of additional machinery and equipment and further strengthening our manpower to satisfy our project need. The net proceeds of the Share Offer will provide financial resources to our Group to achieve such business strategies which will further strengthen our market position and expand our market share.
- Historically, our Group had a low gearing ratio (15.9% as at 31 March 2016). During the Track Record Period, we maintained (i) a disciplined financial strategy without exposing our Group to aggressive gearing in order to achieve sustainable growth in the long run and (ii) a cash level sufficient to support our Group's existing operations. In view of our Group's cash outflow exposure, including

FUTURE PLANS AND USE OF PROCEEDS

payment to subcontractors and staff costs, we do not have sufficient internal generated funds to finance our expansion plan while maintaining sufficient working capital for our Group's operations. Our Directors consider that it is in the interest of our Group to proceed with the equity financing by way of the Share Offer for the purpose of our business expansion as opposed to a debt financing in view of the increasing borrowing costs of debt financing. Our Directors also believe that it is not in the interest of the Company and its shareholders to finance our purchase of additional machinery and equipment through finance leases or bank borrowings for the following reasons:

- We estimate that the the interest expenses from finance leases on normal commercial terms will amount to approximately HK\$0.5 million, HK\$1.4 million and HK\$1.0 million, respectively, for the three years ending 31 March 2019. Our Group's financial performance and liquidity may be negatively affected due to principal and interest payments if we proceed with debt financing to fund our business expansion.
- It would be difficult for our Group to obtain finance leases and/or bank borrowings without guarantees to be provided by the Controlling Shareholders. Our Directors consider that as part of a group of private companies, our Company, without a listing status, would be difficult to obtain bank borrowings without guarantees to be provided by the Controlling Shareholders. It is anticipated that additional bank borrowings to our Group would require the Controlling Shareholders to provide additional guarantee if the Company were not listed. This is supported by the fact that the lending bank is willing to release the guarantee provided by Mr. Tang and Ms. Choi, our Controlling Shareholders, subject to, among other things, our Company being successfully listed on the Stock Exchange. Further, as a site formation subcontractor does not usually have a large amount of fixed asset as collateral, our Directors consider that it would not be easy for our Group to get the required banking facilities at a competitively good rate without providing fixed assets as collateral or personal guarantee from the Controlling Shareholders.
- The Listing will provide a fund-raising platform for our Company, thereby enabling us to raise the capital required to finance our future growth and expansion without reliance on our Controlling Shareholders to do so. Such platform would allow our Company to gain direct access to the capital market for equity and/or debt financing to fund its existing operations and future expansion, which could be instrumental to our expansion and improving our operating and financial performance for maximum Shareholder return.
- Our Directors consider that our major competitors in site formation industry in Hong Kong are mostly listed on the Stock Exchange. It is expected that both public and private customers would tend to give preference to contractors who have a public listing status with good reputation, transparent financial disclosures and regulatory supervision. The Listing will enhance our corporate profile and our credibility with our business stakeholders and different customers including

FUTURE PLANS AND USE OF PROCEEDS

contractors, developers and government authorities. Our Directors therefore believe that the Listing of our Company is the key strategy for us to enhance our level of competitiveness among other customers and other business stakeholders.

- The Listing will enhance the liquidity of the Shares by achieving the listing status of the Shares which will be freely traded on the Stock Exchange when compared to the limited liquidity of the Shares that are privately held before the Listing. The Listing may also offer our Company a broader shareholder base which could lead to a more liquid market in the trading of the Shares.
- We believe that our internal control and corporate governance practices could be further enhanced following the Listing.

UNDERWRITING

UNDERWRITERS

Public Offer Underwriters

China Prospect Securities Limited
Dakin Securities Limited

Placing Underwriters

China Prospect Securities Limited
Dakin Securities Limited

BOOKRUNNER

China Prospect Securities Limited

JOINT LEAD MANAGERS

China Prospect Securities Limited
Dakin Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to offer the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have agreed to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares now being offered which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having become unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The obligations of the Public Offer Underwriters to subscribe for, or procure subscribers for the Public Offer Shares are subject to termination. The Bookrunner (for itself and on behalf of the Public Offer Underwriters) shall have the absolute right by notice in writing to the Company to terminate the Public Offer Underwriting Agreement with immediate effect at any time prior to 8:00 a.m. on the Listing Date (the “**Termination Time**”) if any of the following events shall occur prior to the Termination Time:

1. There comes to the notice of the Bookrunner:
 - (a) any matter or event showing any of the representations, warranties, agreements and undertakings given to the Public Offer Underwriters under the Public Offer Underwriting Agreement (the “**Warranties**”) to be untrue,

UNDERWRITING

inaccurate or misleading in any material respect when given or repeated or there has been a breach of any of the Warranties or any other provisions of the Public Offer Underwriting Agreement by any party to the Public Offer Underwriting Agreement other than the Public Offer Underwriters which, in any such cases, is considered, in the reasonable opinion of the Bookrunner, to be material in the context of the Public Offer; or

- (b) any statement contained in this prospectus has become or been discovered to be untrue, incorrect or misleading in any material respect which is considered, in the reasonable opinion of the Bookrunner, to be material in the context of the Public Offer; or
 - (c) any event, series of events, matters or circumstances occurs or arises on or after the date of the Public Offer Underwriting Agreement and before the Termination Time, being events, matters or circumstances which, if it had occurred before the date of the Public Offer Underwriting Agreement, would have rendered any of the Warranties untrue, incorrect or misleading in any material respect, and which is considered, in the reasonable opinion of the Bookrunner to be material in the context of the Public Offer; or
 - (d) any matter which, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted, in the reasonable opinion of the Bookrunner, a material omission in the context of the Public Offer; or
 - (e) any event, act or omission which gives or is likely to give rise to any liability of a material nature of the Company and any of the executive Directors and the Controlling Shareholders arising out of or in connection with the breach of any of the Warranties; or
 - (f) any breach by any party to the Public Offer Underwriting Agreement other than the Public Offer Underwriters of any provision of the Public Offer Underwriting Agreement which, in the reasonable opinion of the Bookrunner, is material;
2. There shall have developed, occurred, existed, or come into effect any event or series of events, matters or circumstances whether occurring or continuing on and/or after the date of the Public Offer Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:
- (a) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the PRC, BVI, the Cayman Islands or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to the business of our Group; or

UNDERWRITING

- (b) any change in, or any event or series of events or development resulting or likely to result in any change in Hong Kong, the PRC, BVI, the Cayman Islands or any of the jurisdictions relevant to the business of our Group, the local, regional or international financial, currency, political, military, industrial, economic, stock market or other market conditions or prospects; or
- (c) any adverse change in the conditions of Hong Kong or international equity securities or other financial markets; or
- (d) the imposition of any moratorium, suspension or material restriction on trading in securities generally on any of the markets operated by the Stock Exchange due to exceptional financial circumstances; or
- (e) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong, the PRC, BVI, the Cayman Islands or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or other jurisdiction relevant to our Group's business; or
- (f) any adverse change or prospective adverse change in the business or in the financial or trading position or prospects of any member of our Group; or
- (g) a general moratorium on commercial banking activities in the PRC or Hong Kong declared by the relevant authorities; or
- (h) any event of force majeure including, without limiting the generality thereof, any act of God, military action, riot, public disorder, civil commotion, fire, flood, tsunami, explosion, epidemic, terrorism, strike or lock-out;

which in the reasonable opinion of the Bookrunner acting in good faith:

- (a) is or will be, or is likely to be, adverse, in any material respect, to the business, financial or other condition or prospects of our Group taken as a whole; or
- (b) has or will have or is reasonably likely to have a material adverse effect on the success of the Share Offer or the level of the Offer Shares being applied for or accepted, or the distribution of the Offer Shares; or
- (c) makes it impracticable, inadvisable or inexpedient for the Public Offer Underwriters to proceed with the Public Offer as a whole.

UNDERWRITING

For the above purpose:

- (a) a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the U.S. or a material devaluation of the Renminbi against any foreign currencies shall be taken as an event resulting in a change in currency conditions; and
- (b) any normal market fluctuations shall not be construed as events or series of events affecting market conditions referred to above.

UNDERTAKINGS TO THE STOCK EXCHANGE UNDER THE LISTING RULES

By us

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that, except pursuant to the Share Offer (including the exercise of the Over-allotment Option) and the grant of options under the Share Option Scheme as described and contained in this prospectus, no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for the circumstances as permitted by Rule 10.08(1) to (5) of the Listing Rules.

By our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company respectively that it/he/she shall not and shall procure that the relevant registered shareholder(s) shall not, save as pursuant to the Stock Borrowing Agreement:

- (a) in the period commencing on the date by reference to which disclosure of its/his/her shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares in respect of which it/he/she is shown by this prospectus to be the beneficial owners; or
- (b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, our Controlling Shareholders would cease to be controlling shareholders (as defined in the Listing Rules) on a collective basis.

UNDERWRITING

Each of the Controlling Shareholders has also undertaken to the Stock Exchange and our Company respectively that, within the period commencing on the date by reference to which disclosure of its/his/her shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it/he/she will:

- (a) when it/he/she pledges or charges any Shares beneficially owned by it/him/her in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform us of such pledge or charge together with the number of Shares so pledged or charged; and
- (b) when it/he/she receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform us of such indications.

Our Company shall inform the Stock Exchange in writing as soon as it has been informed of any of the matters referred to above (if any) by the Controlling Shareholders and disclose such matters by way of an announcement to be published in accordance with the Listing Rules as soon as possible.

UNDERTAKINGS PURSUANT TO THE PUBLIC OFFER UNDERWRITING AGREEMENT

Pursuant to the Public Offer Underwriting Agreement, our Company had undertaken to each of the Bookrunner, the Sponsor and the Public Offer Underwriters that, except pursuant to the Share Offer (including pursuant to the Over-allotment Option), the Capitalisation Issue, the grant of options under the Share Option Scheme and the issue of Shares upon exercise of any such options or as otherwise permitted under the Listing Rules, our Company will not, and our Company, the Controlling Shareholders and each of our executive Directors will procure, that our subsidiaries will not, unless with the prior written consent of the Bookrunner (on behalf of the Public Offer Underwriters), such consent not to be unreasonably withheld or delayed, and in compliance with the requirements of the Listing Rules:

- (i) allot or issue, or agree to allot or issue, Shares or other securities of our Company (including warrants or other convertible or exchangeable securities) or grant or agree to grant any options, warrants, or other rights to subscribe for or convertible or exchangeable into Shares or other securities of our Company; or
- (ii) enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequence of ownership of any Shares or offer to or agree to do any of the foregoing or announce any intention to do so,

during the six months immediately following the Listing Date (the “**First Six-month Period**”).

UNDERWRITING

In the event of our Company doing any of the foregoing by virtue of the aforesaid exceptions or during the period of six months immediately following the expiry of the First Six-month Period (the “**Second Six-month Period**”), it will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company.

Each of the Controlling Shareholders has jointly and severally undertaken to each of the Bookrunner, our Company, the Sponsor and the Public Offer Underwriters that save as pursuant to the Stock Borrowing Agreement, during the First Six-month Period, it or he shall not, and shall procure that the relevant registered holder(s) and its or his or her associates and companies controlled by it or he or she and any nominee or trustee holding in trust for it or he or she shall not, without the prior written consent of the Bookrunner unless in compliance with the requirements of the Listing Rules:

- (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the Shares in respect of which it or he or she is shown in this prospectus to be directly or indirectly interested in (the “**Relevant Securities**”); or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities, whether any of the foregoing transactions is to be settled by delivery of the Relevant Securities or such other securities, in cash or otherwise; or
- (iii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (i) or (ii) above; or
- (iv) announce any intention to enter into or effect any of the transactions referred to in paragraphs (i), (ii) or (iii) above.

Each of the Controlling Shareholders has jointly and severally undertaken to the Bookrunner, our Company, the Sponsor and the Public Offer Underwriters that it or he or she shall not, and shall procure that the relevant registered holder(s) and its or his or her associates or companies controlled by it or him or her and any nominee or trustee holding in trust for it or him or her shall not, without the prior written consent of the Stock Exchange in the Second Six-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Relevant Securities held by it or him or her or any of its or his or her associates or companies controlled by it or him or her or any nominee or trustee holding in trust for it or him or her if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it or he or she would cease to be a Controlling Shareholder or would together with the other Controlling Shareholders cease to be, or be regarded as, Controlling Shareholders on a collective basis.

UNDERWRITING

In the event of a disposal of any of the Shares or securities of our Company directly or indirectly beneficially owned by it or him or her or any interest therein within the Second Six-month Period, the relevant Controlling Shareholder shall take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for any Shares or other securities of our Company.

Each of the Controlling Shareholders has further undertaken to each of the Bookrunner, our Company, the Sponsor and the Public Offer Underwriters that within the first twelve months from the Listing Date, it or he or she will:

- (i) when it or he or she pledges or charges any securities or interests in the securities of our Company beneficially owned by it or him or her directly or indirectly, immediately inform our Company and the Bookrunner in writing of such pledges or charges together with the number of securities and nature of interests so pledged or charged; and
- (ii) when it or he or she receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company and the Bookrunner in writing of such indications.

Our Company will inform the Stock Exchange as soon as we have been informed of the matters above (if any) by the Controlling Shareholders and disclose such matters by way of a press announcement.

THE PLACING

In connection with the Placing, our Company has entered into the Placing Underwriting Agreement with, among others, the Placing Underwriters, on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below. Under the Placing Underwriting Agreement, the Placing Underwriters severally agreed to subscribe or procure subscribers for the Placing Shares being offered pursuant to the Placing.

Pursuant to the Placing Underwriting Agreement, our Company, our executive Directors and our Controlling Shareholders has given undertakings similar to those given pursuant to the Public Offer Underwriting Agreement, as described in the paragraph headed “Underwriting Arrangements and Expenses – Public Offer – Undertakings pursuant to the Public Offer Underwriting Agreement” in this section.

Each of our Controlling Shareholders has undertaken to the Placing Underwriters not to dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interest or encumbrances in respect of any of our Shares held by him/her/it in our Company for a period similar to that given by them pursuant to the Public Offer Underwriting Agreement as described in the paragraph “Underwriting Arrangements and Expenses – Public Offer – Undertakings Pursuant to the Public Offer Underwriting Agreement” in this section.

UNDERWRITING

Our Company has granted to the Bookrunner (for and on behalf of the Placing Underwriters) the Over-allotment Option, exercisable by the Bookrunner at any time within 30 days after the last date for the lodging of applications under the Public Offer, to require our Company to allot and issue up to an aggregate of 27,750,000 additional Shares representing 15% of the number of Offer Shares initially offered under the Share Offer, at the Offer Price under the Placing to cover, among other things, over-allocations (if any) in the Placing, if any, and/or the obligations of the Bookrunner (for and on behalf of the Placing Underwriters) to return Shares which it may have borrowed under the Stock Borrowing Agreement.

COMMISSIONS AND EXPENSES

The Underwriters will receive a gross underwriting commission at the rate of 2.5% of the aggregate Offer Price payable for the Offer Shares (including shares to be issued pursuant to the Over-allotment Option), out of which they will pay any sub-underwriting commissions. Such commission, together with the Stock Exchange listing fees, the Stock Exchange trading fees, the SFC transaction levy, legal and other professional fees, printing, and other expenses relating to the Share Offer, is currently estimated to be approximately HK\$24.7 million in aggregate (based on an Offer Price of HK\$0.70 per Offer Share and the assumption that the Over-allotment Option is not exercised) and is paid or payable by our Company and the Selling Shareholder with reference to the number of New Shares and Sale Shares under the Share Offer respectively.

UNDERWRITERS' INTERESTS IN OUR COMPANY

Save for their obligations under the Underwriting Agreements, none of the Underwriters is interested legally or beneficially in any shares of any member of our Group nor has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group nor any interest in the Share Offer.

INDEPENDENCE OF THE SPONSOR

Dakin Capital, being the Sponsor, satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares other than in Public Offer, or the distribution of this prospectus in any jurisdiction other than Hong Kong.

Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

This prospectus is published in connection with the Public Offer as part of the Share Offer. The Share Offer comprises (subject to re-allocation and the Over-allotment Option):

- (a) the Public Offer of 18,500,000 Shares (subject to re-allocation as mentioned below) in Hong Kong as described under the paragraph headed “The Public Offer” below; and
- (b) the Placing of 166,500,000 Shares comprising 121,500,000 New Shares and 45,000,000 Sales Shares (subject to re-allocation and the Over-allotment Option as mentioned below) which will conditionally be placed with selected professional, institutional and other investors under the Placing.

Investors may apply for the Shares under the Public Offer or indicate an interest, if qualified to do so, for the Shares under the Placing, but may not do both.

The number of Shares to be offered under the Public Offer and the Placing respectively may be subject to re-allocation as described in the paragraph headed “The Public Offer – Re-allocation” below.

THE PUBLIC OFFER

Number of Shares Initially Offered

We are initially offering 18,500,000 Shares at the Offer Price, representing 10% of the Shares initially available under the Share Offer (assuming that the Over-allotment Option is not exercised), for subscription by the public in Hong Kong. Subject to the re-allocation of Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Public Offer will represent approximately 2.5% of our Company’s enlarged issued share capital immediately after completion of the Share Offer and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised).

The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Public Offer is subject to the conditions as set out in the paragraph headed “Conditions of the Share Offer”.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Allocation

The total number of Public Offer Shares available under the Public Offer will initially be divided equally into two pools for allocation purposes as follows:

- (i) Pool A: The Public Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Public Offer Shares each with a total subscription amount (excluding brokerage fee, Stock Exchange trading fee and SFC transaction levy) of HK\$5 million or less.
- (ii) Pool B: The Public Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Public Offer Shares each with a total subscription amount (excluding brokerage fee, Stock Exchange trading fee and SFC transaction levy) of more than HK\$5 million and up to the value of Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Public Offer Shares in one pool (but not both pools) are under-subscribed, the unsubscribed Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Allocation of Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Applicants can only receive an allocation of Public Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications within either pool or between pools and any application for more than 50% of the Public Offer Shares initially available for subscription under the Public Offer will be rejected. Each applicant under the Public Offer 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 received any Shares under the Placing, 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).

Re-allocation

The allocation of the Offer Shares between the Public Offer and the Placing is subject to re-allocation under the Listing Rules. Paragraph 4.2 of the Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Public Offer Shares to certain percentages of the total number of Offer Shares offered in the Share Offer if certain prescribed total demand levels are reached. If the number of Offer Shares validly applied for under the Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more of the number of Offer Shares initially available under the Public Offer,

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

then Offer Shares will be re-allocated to the Public Offer from the Placing. As a result of such re-allocation, the total number of Offer Shares available under the Public Offer will be increased to 55,500,000 Offer Shares (in the case of (i)), 74,000,000 Offer Shares (in the case of (ii)) and 92,500,000 Offer Shares (in the case of (iii)) representing 30%, 40%, and 50% of the Offer Shares initially available under the Share Offer (before any exercise of the Over-allotment Option), respectively.

In such case, the number of Offer Shares allocated to the Placing will correspondingly be reduced, and such additional Public Offer Shares will be re-allocated to Pool A and Pool B in the Public Offer in such manner as the Bookrunner deems appropriate.

In addition, the Bookrunner may re-allocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer. If the Public Offer is not fully subscribed for, the Bookrunner has the authority to re-allocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Bookrunner deem appropriate.

THE PLACING

Number of Shares Initially Offered

Subject to the re-allocation as described above, the number of Shares to be initially offered under the Placing will be 166,500,000 Shares, representing 90% of the Offer Shares under the Share Offer (assuming the Over-allotment Option is not exercised). Subject to the re-allocation of the Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Placing will represent approximately 22.5% of our Company's enlarged issued share capital immediately after completion of the Share Offer and the Capitalisation Issue (assuming the Over-allotment Option is not exercised).

Allocation

Pursuant to the Placing, the Placing Shares will be conditionally placed on behalf of our Company by the Placing Underwriters or through selling agents appointed by them. Placing Shares will be selectively placed with certain professional and institutional investors and other investors who 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 Placing is subject to the Public Offer being unconditional.

Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the "book-building" process described in the paragraph headed "Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell, Shares after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of Shares on a basis which would lead to the establishment of a solid shareholder base which would be to our benefit and to that of the Shareholders as a whole.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

The Bookrunner (for itself and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Bookrunner so as to allow them to identify the relevant applications under the Public Offer and to ensure that they are excluded from any application of Offer Shares under the Public Offer.

OVER-ALLOTMENT OPTION

The Company has granted to the Bookrunner (for and on behalf of the Placing Underwriters) the Over-allotment Option, exercisable by the Bookrunner at any time and from time to time from the Listing Date, up to (and including) the date which is the 30th day after the last day for lodging of Application Forms under the Public Offer. A press announcement will be made in the event that the Over-allotment Option is exercised. Pursuant to the Over-allotment Option, our Company may be required to allot and issue up to 27,750,000 Shares, representing 15% of the number of Offer Shares initially available under the Share Offer, at the Offer Price.

STOCK BORROWING AGREEMENT

The Stabilising Manager, or any person acting for it may choose to borrow 27,750,000 Shares from Waterfront Palm, under the Stock Borrowing Agreement, or acquire Shares from other sources, including the exercising of the Over-allotment Option. The Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set out in Rule 10.07(3) of the Listing Rules are to be complied with as follows:

- such stock borrowing arrangement with Waterfront Palm will only be effected by the Stabilising Manager for settlement of over-allocations in the Placing and covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares borrowed from Waterfront Palm under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be issued upon the exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to Waterfront Palm or its nominees on or before the third business day following the earlier of (i) the last day on which the Over-allotment Option may be exercised, (ii) the date on which the Over-allotment Option is exercised in full and the relevant over-allocation Shares have been allocated, and (iii) such earlier time as the parties may from time to time agree in writing;
- the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, the Listing Rules and regulatory requirements; and
- no payment will be made to Waterfront Palm by the Stabilising Manager or its authorised agents in relation to such stock borrowing arrangement.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

STABILISATION AND OVER-ALLOTMENT

In connection with the Share Offer, the Stabilising Manager, or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Stabilising Manager and may be discontinued at any time. Any such stabilising activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Public Offer. The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, namely, 27,750,000 Shares, which is 15% of the number of Offer Shares initially available under the Share Offer.

Stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules includes: (i) over-allocation for the purpose of preventing or minimising any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Shares should note that:

- the Stabilising Manager, or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, or any person acting for it, will maintain such a position;
- liquidation of any such long position by the Stabilising Manager may have an adverse impact on the market price of the Shares;
- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date, and is expected to expire on the last business day falling within 30 days after the last date for lodging applications under the Public Offer. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- 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. Such stabilisation action, if commenced, may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws, rules and regulatory requirements, including the Securities and Futures (Price Stabilizing) Rules, as amended, made under the SFO.

In connection with the Share Offer, the Bookrunner may over-allocate up to and not more than an aggregate of 27,750,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option, or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of settlement of over-allocations in connection with the Placing, the Bookrunner may borrow up to 27,750,000 Shares from Waterfront Palm, equivalent to the maximum number of Shares to be issued on full exercise of the Over-allotment Option, under the Stock Borrowing Agreement.

PRICING AND ALLOCATION

The Offer Price is HK\$0.70 per Share. Applicants for Public Offer Shares under the Public Offer are required to pay, on application, the Offer Price of HK\$0.70 for each Public Offer Share (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), amounting to a total of HK\$3,535.27 for each board lot of 5,000 Shares.

Announcement of Basis of Allocations

The level of indications of interest in the Share Offer, the results of applications and the basis of allotment of the Public Offer Shares are expected to be announced on Friday, 14 October 2016 on the website of the Stock Exchange (www.hkexnews.hk) and on the website of our Company (www.cherishholdings.com).

UNDERWRITING

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement.

The Placing is fully underwritten by the Placing Underwriters under the terms of the Placing Underwriting Agreement.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

These underwriting arrangements, and the Underwriting Agreements, are summarised in the section headed “Underwriting” in this prospectus.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares pursuant to the Public Offer will be conditional on:

- the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including the Shares to be issued pursuant to the Capitalisation Issue, and any Shares which may be issued upon the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange; and
- the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement and the obligations of the Placing Underwriters under the Placing Underwriting Agreement 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 Public Offer Underwriting Agreement or the Placing Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times).

In each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will be published by us on the Stock Exchange’s website and on our Company’s website on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the subsection headed “How to Apply for the Public Offer Shares – 13. Despatch/Collection of Share Certificates and Refund Monies” in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving banker or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Share certificates will only become valid at 8:00 a.m. on Monday, 17 October 2016, provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting – Underwriting Arrangements and Expenses – Public Offer – Grounds for Termination” in this prospectus has not been exercised.

ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements will affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into the Central Clearing and Settlement System, or CCASS.

DEALINGS IN THE SHARES

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, 17 October 2016, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Monday, 17 October 2016.

The Shares will be traded in board lots of 5,000 Shares each and the stock code of the Shares will be 2113.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sponsor, the Bookrunner, the Joint Lead Managers 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 FOR PUBLIC OFFER SHARES

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you 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 or her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sponsor, the Bookrunner or the Joint Lead Managers may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four for the Public Offer Shares.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a Director or the chief executive officer of our Company and/or any of its subsidiaries;
- a close associate (as defined in the Listing Rules) of any of the above;
- a core connected person (as defined in the Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Share Offer; and
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which application channel to use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 30 September 2016 until 12:00 noon on Wednesday, 5 October 2016 from:

- (i) any of the following offices of the Public Offer Underwriters:
 - **China Prospect Securities Limited** at Units 1113A & 1115, 11/F, COSCO Tower, 183 Queen's Road Central, Sheung Wan, Hong Kong
 - **Dakin Securities Limited** at Room 2701, Admiralty Centre, Tower 1, 18 Harcourt Road, Admiralty, Hong Kong
- (ii) the following office of the Sponsor:
 - **Dakin Capital Limited** at Room 2701, Admiralty Centre, Tower 1, 18 Harcourt Road, Admiralty, Hong Kong

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

(iii) or any of the following branches of Bank of China (Hong Kong) Limited:

District	Branch Name	Address
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	King's Road Branch	131-133 King's Road, North Point
	Aberdeen Branch	25 Wu Pak Street, Aberdeen
Kowloon	Jordan Road Branch	1/F, Sino Cheer Plaza, 23-29 Jordan Road
	Metro City Branch	Shop 209, Level 2, Metro City Phase 1, Tseung Kwan O
New Territories	Ma On Shan Plaza Branch	Shop 2103, Level 2, Ma On Shan Plaza, Sai Sha Road, Ma On Shan

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 30 September 2016 until 12:00 noon on Wednesday, 5 October 2016 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker, who may have such Application Forms and this prospectus available.

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 – CHERISH 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:

Friday, 30 September 2016	–	9:00 a.m. to 5:00 p.m.
Monday, 3 October 2016	–	9:00 a.m. to 5:00 p.m.
Tuesday, 4 October 2016	–	9:00 a.m. to 5:00 p.m.
Wednesday, 5 October 2016	–	9:00 a.m. to 12:00 noon

The application lists will be opened from 11:45 a.m. to 12:00 noon on Wednesday, 5 October 2016, the last application day or such later time as described in "9. Effect of Bad Weather on the Opening of the Application Lists" in this section.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Bookrunner (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sponsor, the Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sponsor, the Bookrunner, the Joint Lead Managers, 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 Sponsor, the Bookrunner, the Joint Lead Managers and the Underwriters nor any

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any 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 are eligible to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Bookrunner will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (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 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

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sponsor, the Bookrunner, the Joint Lead Managers and our Hong Kong Branch Share Registrar.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, our Directors and the Bookrunner will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sponsor, the Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sponsor, the Bookrunner, the Joint Lead Managers, the Underwriter 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 a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the 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 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 5,000 Public Offer Shares. Instructions for more than

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

5,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Friday, 30 September 2016	–	9:00 a.m. to 8:30 p.m. ⁽¹⁾
Monday, 3 October 2016	–	8:00 a.m. to 8:30 p.m. ⁽¹⁾
Tuesday, 4 October 2016	–	8:00 a.m. to 8:30 p.m. ⁽¹⁾
Wednesday, 5 October 2016	–	8:00 a.m. ⁽¹⁾ to 12:00 noon

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 30 September 2016 until 12:00 noon on Wednesday, 5 October 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 Wednesday, 5 October 2016, the last application day or such later time as described in the paragraph “9. Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sponsor, the Bookrunner, the Joint Lead Managers, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such facility is 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 Bookrunner, the Sponsor and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, 5 October 2016 or such later time under the paragraph “9. Effect of Bad Weather on the Opening of the Application Lists” in this section.

7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple application for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form (whether individually or jointly) or by giving **electronic application instructions** to HKSCC 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; or
- 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).

8. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 5,000 Public Offer Shares. Each application or **electronic application instructions** in respect of more than 5,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the 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, please see the section headed “Structure and Conditions of the Share Offer”.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 5 October 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 Wednesday, 5 October 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 the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

10. PUBLICATION OF RESULTS

We expect to announce the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Friday, 14 October 2016 on our Company’s website at **www.cherishholdings.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at **www.cherishholdings.com** and the Stock Exchange’s website at **www.hkexnews.hk** by no later than 9:00 a.m. on Friday, 14 October 2016;
- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Friday, 14 October 2016 to 12:00 midnight on Thursday, 20 October 2016;
- by telephone enquiry line by calling 3691-8488 between 9:00 a.m. and 6:00 p.m. from Friday, 14 October 2016 to Wednesday, 19 October 2016 (excluding Saturday and Sunday);
- in the special allocation results booklets which will be available for inspection during opening hours from Friday, 14 October 2016 to Tuesday, 18 October 2016 at all the receiving bank designated branches.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section “Structure and Conditions of the Share Offer”.

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.

11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

- (i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC, 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 a 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 announcement 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 THE PUBLIC OFFER SHARES

(ii) If we or our agents exercise their discretion to reject your application:

Our Company, the Sponsor, the Bookrunner, the Joint Lead Managers and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee 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 us of that longer period within three weeks of the closing date of the application lists.

(iv) **If:**

- you make multiple applications or are suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Bookrunner believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Public Offer Shares initially offered under the Public Offer.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the conditions of the Share Offer set out in the section “Structure and Conditions of the Share Offer – Conditions of the Share Offer” are not fulfilled or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Friday, 14 October 2016.

13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Form or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for.

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Friday, 14 October 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 order(s).

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Share certificates will only become valid at 8:00 a.m. on Monday, 17 October 2016 provided that the Share Offer has become unconditional and the right of termination described in the headed “Underwriting” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 14 October 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 Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on 14 October 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 Public Offer Shares or more, please follow the same instructions as described above for collection of refund cheque(s).

If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Friday, 14 October 2016, by ordinary post and at your own risk.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If you apply by using **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Friday, 14 October 2016, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you are applying through a designated CCASS participant (other than a CCASS investor participant)*

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS Investor Participant*

We will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "10. Publication of Results" above. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 14 October 2016 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply via Electronic Application Instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on 14 October 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 Public Offer in the manner

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

specified in the paragraph “10. Publication of Results” in this section on 14 October 2016. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on 14 October 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 Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on 14 October 2016. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications will be credited to your designated bank account or the designated bank account of your broker or custodian on 14 October 2016.
- No interest will be paid thereon.

14. 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 arrangements as such arrangements may affect their rights and interests.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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

The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountants of the Company, SHINEWING (HK) CPA Limited Certified Public Accountants, Hong Kong. As described in the Appendix V headed "Documents delivered to the Registrar of Companies and available for inspection" to this prospectus, a copy of the accountants' report is available for inspection.



SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

30 September 2016

The Directors
CHerish Holdings Limited
Dakin Capital Limited

Dear Sirs,

Introduction

We set out below our report on the financial information (the "Financial Information") regarding CHerish Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 March 2016 (the "Track Record Period") for inclusion in the prospectus of the Company dated 30 September 2016 (the "Prospectus") in connection with the initial listing of the shares of the Company (the "Listing") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 31 March 2016. Pursuant to a group reorganisation (the "Reorganisation") as detailed in the section headed "History and Development" in the Prospectus, the Company became the holding company of the Group upon the completion of the Reorganisation on 20 September 2016.

The Company is an investment holding company, while the principal subsidiary is principally engaged in the provision of site formation works.

All companies now comprising the Group have adopted 31 March as their financial year end date. At the date of this report, the Company has direct and indirect equity interests in the following subsidiaries comprising the Group, all of which are private companies. Particulars of which are set out below:

Name of company	Place and date of incorporation/operation	Issued and fully paid ordinary share capital	Percentage of equity interest attributable to the Group	Principal activities
C & H Engineering Company Limited ("C&H")	Hong Kong ("HK") 12 December 2001	Hong Kong dollars ("HK\$") 10	100%	Provision of site formation works
Honestly Luck Limited ("Honestly Luck")	British Virgin Islands (the "BVI") 6 January 2016	United States dollars ("US\$") 1	100%	Investment holding
Tall Too Limited ("Tall Too")	The BVI 16 December 2015	US\$1	100%	Inactive

Upon the completion of the Reorganisation, Honestly Luck is directly held by the Company while Tall Too and C&H are indirectly held by the Company.

The statutory financial statements of C&H for the Track Record Period were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and were audited by Mr. Lai Yiu Hong (Practising), a Certified Public Accountant registered in Hong Kong, for the years ended 31 March 2014 and 2015.

The statutory financial statements of C&H for the year ended 31 March 2016 have not been available as of the date of this report. For the purpose of this report, we have reviewed all the relevant transactions and carried out such procedures as we considered necessary for the year ended 31 March 2016 up to the date of this report in preparing our report for inclusion in the Prospectus.

No audited statutory financial statements have been prepared for the Company, Honestly Luck and Tall Too since their respective dates of incorporation as they were incorporated in jurisdictions where there is no statutory audit requirements. For the purpose of this report, we have reviewed all the relevant transactions and carried out such procedures as we considered necessary from their respective dates of incorporation up to the date of this report in preparing our report for inclusion in the Prospectus.

For the purpose of this report, the directors of the Company have prepared the combined financial statements of the Group for the Track Record Period in accordance with accounting policies set out in note 3 of Section A below which conform with HKFRSs issued by the HKICPA (the "Underlying Financial Statements").

We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and carried out procedures which we considered necessary 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 Track Record Period set out in this report has been prepared by the directors of the Company from the Underlying Financial Statements on the basis set out in note 1 of Section A below. No adjustments were considered necessary to the Underlying Financial Statements in the preparation of the Financial Information 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 also 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 preparation set out in note 1 of Section A, the Financial Information, for the purpose of this report, gives a true and fair view of the financial position of the Group as at 31 March 2014, 2015 and 2016, of the financial position of the Company as at 31 March 2016 and of the financial performance and combined cash flows of the Group for the Track Record Period.

A. FINANCIAL INFORMATION

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 March		
		2014	2015	2016
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	7	83,947	139,367	210,046
Cost of sales		<u>(69,014)</u>	<u>(104,131)</u>	<u>(167,546)</u>
Gross profit		14,933	35,236	42,500
Other income	8	–	59	515
Administrative expenses		(3,308)	(4,163)	(8,041)
Finance costs	9	<u>(179)</u>	<u>(389)</u>	<u>(375)</u>
Profit before taxation		11,446	30,743	34,599
Taxation	10	<u>(1,793)</u>	<u>(5,072)</u>	<u>(6,175)</u>
Profit and total comprehensive income for the year	11	<u>9,653</u>	<u>25,671</u>	<u>28,424</u>

COMBINED STATEMENTS OF FINANCIAL POSITION

		The Group			The Company*
		At 31 March			At 31
	Notes	2014	2015	2016	March
		HK\$'000	HK\$'000	HK\$'000	2016
					HK\$'000
Non-current asset					
Plant and equipment	16	10,003	14,734	21,910	–
Current assets					
Amounts due from customers for contract work	17	439	763	19,822	–
Trade and other receivables	18	11,974	10,960	32,687	–
Amounts due from directors	19	9,254	30,483	93	–
Bank balances	20	2,737	31,124	52,220	–
		24,404	73,330	104,822	–
Current liabilities					
Amounts due to customers for contract work	17	1,804	25,476	29,508	–
Trade and other payables	21	11,894	11,336	31,796	–
Amount due to a related company	22	961	57	–	–
Unsecured bank overdrafts	23	–	42	–	–
Unsecured bank borrowings	23	3,347	1,828	248	–
Obligations under finance leases – due within one year	24	1,029	2,629	3,391	–
Tax payable		1,242	5,762	10,777	–
		20,277	47,130	75,720	–
Net current assets		4,127	26,200	29,102	–
Total assets less current liabilities		14,130	40,934	51,012	–
Non-current liabilities					
Obligations under finance leases – due after one year	24	2,472	3,053	3,547	–
Deferred tax liabilities	25	551	1,103	2,263	–
		3,023	4,156	5,810	–
Net assets		11,107	36,778	45,202	–
Capital and reserve					
Share capital	26	–	–	–	–
Retained profits		11,107	36,778	45,202	–
Total equity		11,107	36,778	45,202	–

* The statement of financial position of the Company as at 31 March 2016 only include the issued share capital and amount due from a subsidiary which are also less than HK\$1,000 respectively.

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2013	–	1,454	1,454
Profit and total comprehensive income for the year	<u>–</u>	<u>9,653</u>	<u>9,653</u>
At 31 March 2014 and 1 April 2014	–	11,107	11,107
Profit and total comprehensive income for the year	<u>–</u>	<u>25,671</u>	<u>25,671</u>
At 31 March 2015 and 1 April 2015	–	36,778	36,778
Profit and total comprehensive income for the year	–	28,424	28,424
Dividends recognised as distribution (<i>note 14</i>)	<u>–</u>	<u>(20,000)</u>	<u>(20,000)</u>
At 31 March 2016	<u>–</u>	<u>45,202</u>	<u>45,202</u>

COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
OPERATING ACTIVITIES			
Profit before taxation	11,446	30,743	34,599
Adjustments for:			
Bank interest income	–	(1)	(3)
Finance costs	179	389	375
(Gain) loss on disposals of plant and equipment	–	(56)	24
Depreciation of plant and equipment	<u>3,466</u>	<u>4,363</u>	<u>7,545</u>
Operating cash flows before movements in working capital	15,091	35,438	42,540
Decrease (increase) in amounts due from customers for contract work	35	(324)	(19,059)
Increase in amounts due to customers for contract work	1,804	23,672	4,032
(Increase) decrease in trade and other receivables	(7,764)	8	(21,727)
Increase (decrease) in amount due to a related company	961	(904)	(57)
Increase (decrease) in trade and other payables	<u>2,948</u>	<u>(568)</u>	<u>20,460</u>
NET CASH FROM OPERATING ACTIVITIES	<u>13,075</u>	<u>57,322</u>	<u>26,189</u>
INVESTING ACTIVITIES			
Purchase of plant and equipment	(9,069)	(3,863)	(10,235)
Proceeds from disposals of plant and equipment	–	111	900
Interest received	–	1	3
(Advance to) repayment from directors	<u>(3,853)</u>	<u>(21,229)</u>	<u>10,390</u>
NET CASH (USED IN) FROM INVESTING ACTIVITIES	<u>(12,922)</u>	<u>(24,980)</u>	<u>1,058</u>
FINANCING ACTIVITIES			
Repayment of unsecured bank borrowings	(1,293)	(1,519)	(1,580)
New unsecured bank borrowings raised	3,800	–	–
Interest paid	(179)	(379)	(375)
Repayment of obligations under finance leases	<u>(701)</u>	<u>(2,099)</u>	<u>(4,154)</u>
NET CASH FROM (USED IN) FINANCING ACTIVITIES	<u>1,627</u>	<u>(3,997)</u>	<u>(6,109)</u>

	Year ended 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,780	28,345	21,138
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>957</u>	<u>2,737</u>	<u>31,082</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u><u>2,737</u></u>	<u><u>31,082</u></u>	<u><u>52,220</u></u>
ANALYSIS OF COMPONENTS OF CASH AND CASH EQUIVALENTS			
Bank balances	2,737	31,124	52,220
Unsecured bank overdrafts	<u>-</u>	<u>(42)</u>	<u>-</u>
	<u><u>2,737</u></u>	<u><u>31,082</u></u>	<u><u>52,220</u></u>

NOTES TO THE FINANCIAL INFORMATION**1. GENERAL INFORMATION AND BASIS OF PREPARATION**

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 31 March 2016. Its ultimate holding company and immediate holding company is also Waterfront Palm Limited, incorporated in the BVI. The address of the registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, and the address of the principal place of business of the Company is located at Office No.917, Shatin Galleria, 18-24 Shan Mei Street, Fo Tan, New Territories, Hong Kong.

The Company is an investment holding company, while the principal subsidiary, C&H, is principally engaged in the provision of site formation works.

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 20 September 2016. The companies now comprising the Group have been under the common control of and beneficially owned by Ms. Choi Chun Chi, Sandy (“Ms. Choi”), Mr. Tang Man On (“Mr. Tang”) and Mr. Kwok Hoi Chiu (“Mr. Kwok”) (the “Controlling Shareholders”) throughout the Track Record Period or since their respective dates of incorporation up to 31 March 2016 where this is a shorter period. As there was no change in the Controlling Shareholders before and after the Reorganisation, the Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the Financial Information of the Group has been prepared on the basis as if the Company had always been the holding company of the companies now comprising the Group throughout the Track Record Period, using the principles of merger accounting in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA as set out in note 3 below.

The combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for the Track Record Period include the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the Track Record Period or since their respective date of incorporation up to 31 March 2016 where this is a shorter period. The combined statements of financial position of the Group as at 31 March 2014, 2015 and 2016 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at those dates.

The Financial Information is presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company and its subsidiaries.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS(s)”) AND NEW HONG KONG COMPANIES ORDINANCE

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has consistently adopted all the new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards (“HKASs”), amendments and interpretation (hereinafter collectively referred to as “new and revised HKFRSs”) issued by the HKICPA which are effective for the Group’s financial year beginning on 1 April 2015 throughout the Track Record Period.

Part 9 of Hong Kong Companies Ordinance (Cap. 622)

In addition, the annual report requirements of Part 9 “Accounts and Audit” of the Hong Kong Companies Ordinance (Cap. 622) came into operation during the Group’s financial year beginning on 1 April 2014 have been adopted and applied throughout the Track Record Period.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9 (2014)	Financial Instruments ³
HKFRS 15	Revenue from Contracts with Customers ³
HKFRS 16	Leases ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 7	Disclosure Initiative ²
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ²
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ¹
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ¹
Amendments to HKFRS 15	Clarification to HKFRS 15 Revenue from Contracts with Customers ³
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ³

¹ Effective for annual periods beginning on or after 1 January 2016.

² Effective for annual periods beginning on or after 1 January 2017 with earlier application permitted.

³ Effective for annual periods beginning on or after 1 January 2018.

⁴ Effective for annual periods beginning on or after 1 January 2019.

⁵ Effective date not yet been determined.

The directors of the Company anticipate that, except as described below, the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a “fair value through other comprehensive income” (“FVTOCI”) measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an “expected credit loss” model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held

within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014), it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.
- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company are in the process of assessing the potential impact on the Financial Information resulting from the adoption of HKFRS 9. So far they have concluded that the adoption of HKFRS 9 may have impact on the Group's results and financial position, including the measurement of financial assets. For instance, the Group will be required to replace the incurred loss impairment model in HKAS 39 with the expected loss impairment model that will apply to various exposures to credit risk. Until a detailed review of the impact of adopting HKFRS 9 is performed, the Group cannot provide a reasonable estimate that quantifies the impact on the Financial Information nor can it yet conclude whether that impact will be significant or not.

HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

- i) Identify the contract with the customer;
- ii) Identify the performance obligations in the contract;
- iii) Determine the transaction price;
- iv) Allocate the transaction price to the performance obligations; and
- v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted. Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied. Far more prescriptive guidances have been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company are in the process of assessing the potential impact on the Financial Information resulting from the adoption of HKFRS 15. So far they have anticipated that the application of HKFRS 15 in the future may have an impact on the amounts reported as the timing of revenue recognition may be affected by the new standard, and more disclosures relating to revenue is required.

HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 Property, Plant and Equipment, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 will be effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied HKFRS 15 Revenue from Contracts with Customers at or before the date of initial application of HKFRS 16.

The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's results but it is expected that certain portion of lease commitments will be required to be recognised in the combined statement of financial position as right-of-use assets and lease liabilities. The total operating lease commitment of the Group in respect of leased premises with terms more than 12 months as at 31 March 2016 amounted to HK\$336,000.

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of revenue-based depreciation methods for plant and equipment under HKAS 16. The amendments to HKAS 38 introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be rebutted only in the following limited circumstances:

- i. when the intangible asset is expressed as a measure of revenue;
- ii. when a high correlation between revenue and the consumption of the economic benefits of the intangible assets could be demonstrated.

The amendment to HKAS 16 and HKAS 38 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied prospectively.

As the Group uses straight-line method for depreciation of plant and equipment, the directors of the Company do not anticipate that the application of the amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's Financial Information.

Amendments to HKAS 1 Disclosure Initiative

The amendments clarify that companies should use professional judgement in determining what information as well as where and in what order information is presented in the financial statements. Specifically, an entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity does not require to provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material. This is the case even if the HKFRS contains a list of specific requirements or describes them as minimum requirements.

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity's financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

Furthermore, the amendments clarify that:

- (i) an entity should consider the effect on the understandability and comparability of its financial statements when determining the order of the notes; and
- (ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

The amendments will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted.

The directors of the Company anticipate that the application of Amendments to HKAS1 in the future may affect on the presentation and disclosures made in the Group's Financial Information.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA on the historical cost basis and the applicable disclosure required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance. Historical cost is generally based on the fair value of the consideration given in exchange for 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 in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price), regardless of whether that price is directly observable or estimated using another valuation technique.

The principal accounting policies are set out below.

Basis of combination

The Financial Information incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries).

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns.

The Company reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Combination of a subsidiary begins when the Group obtains control of the subsidiary and cease when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the combined statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on combination.

Merger accounting for business combination involving entities under common control

The Financial Information includes the financial statements items of the combining entities or businesses in which the common control combination occurs as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for services provided in the normal course of business and net of discounts.

The Group's policy for recognition of revenue from construction services is described in the accounting policy headed "Construction contracts" below.

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 estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by reference to the percentage of surveys of work performed for individual contract up to the reporting date. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the combined statements of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the combined statements of financial position under trade and other receivables.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the combined statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefits cost and termination benefits

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the combined statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

Plant and equipment

Plant and equipment are stated in the combined statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of 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 plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Cash and cash equivalents

Cash in the combined statements of financial position comprise cash at banks. For the purpose of the combined statements of cash flows, cash and cash equivalents consist of bank balances as defined above, net of outstanding unsecured bank overdrafts.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or the CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the CGU) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised in the combined statements of financial position 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. 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 trade and other receivables, amounts due from directors and bank balances) are measured at amortised cost using the effective interest method, less any impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For loans and receivables, 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.

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables and amounts due from directors, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade and other receivables and amounts due from directors are considered uncollectible, they are 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 the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities including trade and other payables, amount due to a related company, unsecured bank borrowings, unsecured bank overdrafts and obligations under finance leases are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (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.

Offsetting financial instruments

Financial assets and liabilities of the Group are offset and the net amount presented in the combined statements of financial position when, and only when, there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Derecognition

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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 expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the Financial Information.

Construction contracts revenue recognition

As explained in the significant accounting policy, revenue recognition on a project is dependent on management's estimation of the total outcome of the construction contracts, with reference to the progress certificate issued by the customers. The Group reviews and revises the estimates of contract revenue, contract costs and variation orders, prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgeted construction costs by comparing the budgeted amounts to the actual costs incurred.

Significant judgement is required in estimating the contract revenue, contract costs and variation work which may have an impact on percentage of completion of the construction contracts and the corresponding profit takes.

Management base their judgements of contract costs and revenues on the latest available information, which includes detailed contract valuations. In many cases the results reflect the expected outcome of long-term contractual obligations which span more than one reporting period. Contract costs and revenues are affected by a variety of uncertainties are resolved. The estimates of contract costs and revenues are updated regularly and significant changes are highlighted through established internal review procedures. In particular, the internal reviews focus on the timing and recognition of payments and the age and recoverability of any disagreed income from variations to the contract scope or claims. The impact of the changes in accounting estimated is then reflected in the ongoing results.

Key sources of estimation uncertainty

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 assets and liabilities within the next financial year.

Depreciation of plant and equipment

The Group depreciates the plant and equipment over their estimated useful life, using the straight-line method. The estimated useful life reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's plant and equipment.

Estimated impairment of plant and equipment

The Group assesses annually whether plant and equipment have any indication of impairment, in accordance with relevant accounting policies. The recoverable amounts of plant and equipment have been determined based on value-in-use calculations if there is indication of impairment. The calculations and valuations require the use of judgement and estimates on future operating cash flows and discount rates adopted. As at 31 March 2014, 2015 and 2016, the directors of the Company considered that there is no impairment indication and the carrying values of plant and equipment are approximately HK\$10,003,000, HK\$14,734,000 and HK\$21,910,000 respectively. No impairment was recognised for the Track Record Period.

Estimated impairment of trade and retention receivables

The Group performs ongoing credit evaluations of its customers and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon its historical experience and any specific customer collection issues that it has been identified. Credit losses have historically been within the Group's expectations and the Group will continue to monitor the collections from customers and maintain an appropriate level of estimated credit losses. As at 31 March 2014, 2015 and 2016, the carrying amounts of trade and retention receivables are approximately HK\$11,944,000, HK\$10,235,000 and HK\$29,216,000 respectively. No impairment loss was recognised for the Track Record Period.

Estimated impairment of amounts due from directors

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2014, 2015 and 2016, the carrying amounts of amounts due from directors are approximately HK\$9,254,000, HK\$30,483,000 and HK\$93,000 respectively. No impairment was recognised for the Track Record Period.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged for the Track Record Period.

The capital structure of the Group consists of unsecured bank borrowings and unsecured bank overdrafts disclosed in note 23, obligations under finance leases disclosed in note 24, net of bank balances disclosed in note 20, and equity attributable to the owners of the Company, comprising issued share capital and retained earnings.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company consider the cost of capital and risks associated thereto. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues and the issue of new debt or the redemption of existing borrowings.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	At 31 March		
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
Financial assets			
Loans and receivables (including bank balances)	<u>23,935</u>	<u>72,136</u>	<u>81,686</u>
Other financial liabilities			
At amortised cost	<u>19,703</u>	<u>18,945</u>	<u>33,964</u>

Financial risk management objectives and policies

The Group's major financial assets and financial liabilities include trade and other receivables, amounts due from directors, bank balances, trade and other payables, amount due to a related company, unsecured bank borrowings, obligations under finance leases and unsecured bank overdrafts. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments included credit risk, interest rate risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 March 2014, 2015 and 2016 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the combined statements of financial position. In order to minimise the credit risk, the management of the Company has delegated a team responsible for performing monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Management considers the credit risk attributable to amounts due from directors to be insignificant as full settlement has been received subsequently.

As at 31 March 2014, 2015 and 2016, the Group has concentration of credit risk as 41%, 45% and 58% of the total trade receivables was due from the Group's largest customer, while 100%, 100% and 59% of the total trade receivables was due from the Group's five largest customers respectively. The Group's concentration of credit risk by geographical locations is mainly in Hong Kong, which accounted for 100%, 100% and 100% of the total trade receivables as at 31 March 2014, 2015 and 2016 respectively.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to its fixed-rate unsecured bank borrowings (see note 23) and fixed-rate obligations under finance leases (see note 24). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group is also exposed to cash flow interest rate risk in relation to its variable-rate bank balances (see note 20), variable-rate unsecured bank borrowings (see note 23) and variable-rate obligations under finance leases (see note 24). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure of the Group's variable-rate bank balances, variable-rate unsecured bank borrowings and variable-rate obligations under finance leases to interest rates at the end of the Track Record Period. The analysis is prepared assuming that the financial instruments outstanding at the end of the Track Record Period were outstanding for the whole year. A 50 basis points increase or decrease is used for the Track Record Period when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower for the Track Record Period and all other variables were held constant, the Group's post-tax profit would decrease/ increase by approximately HK\$14,000 and HK\$13,000 for the years ended 31 March 2014 and 2015 and increase/ decrease by approximately HK\$128,000 for the year ended 31 March 2016 respectively.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, the Group relies on unsecured bank borrowings as a significant source of liquidity and the management monitors the utilisation of unsecured bank borrowings.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

Specifically, unsecured bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights within one year after the reporting date. The maturity analysis for other non-derivative financial liabilities is prepared based on the scheduled repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of each reporting period.

Liquidity table	On demand or within 1 year <i>HK\$'000</i>	1-2 years <i>HK\$'000</i>	2-5 years <i>HK\$'000</i>	Total contractual undiscounted cash flow <i>HK\$'000</i>	Carrying amount <i>HK\$'000</i>
At 31 March 2014					
Trade and other payables	11,894	–	–	11,894	11,894
Amount due to a related company	961	–	–	961	961
Unsecured bank borrowings (<i>Note</i>)	3,347	–	–	3,347	3,347
Obligations under finance leases	1,147	941	1,680	3,768	3,501
	<u>17,349</u>	<u>941</u>	<u>1,680</u>	<u>19,970</u>	<u>19,703</u>
At 31 March 2015					
Trade and other payables	11,336	–	–	11,336	11,336
Amount due to a related company	57	–	–	57	57
Unsecured bank borrowings (<i>Note</i>)	1,828	–	–	1,828	1,828
Unsecured bank overdrafts	42	–	–	42	42
Obligations under finance leases	2,808	2,017	1,145	5,970	5,682
	<u>16,071</u>	<u>2,017</u>	<u>1,145</u>	<u>19,233</u>	<u>18,945</u>
At 31 March 2016					
Trade and other payables	26,778	–	–	26,778	26,778
Unsecured bank borrowings (<i>Note</i>)	248	–	–	248	248
Obligation under finance leases	3,625	2,692	969	7,286	6,938
	<u>30,651</u>	<u>2,692</u>	<u>969</u>	<u>34,312</u>	<u>33,964</u>

Note:

Unsecured bank borrowings with a repayment on demand clause are included in the 'on demand or within 1 year' time band in the above maturity analysis. As at 31 March 2014, 2015 and 2016, the aggregate undiscounted principal amounts of unsecured bank borrowings amounted to approximately HK\$3,347,000, HK\$1,828,000 and HK\$248,000 respectively. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such unsecured bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to approximately HK\$3,566,000, HK\$1,894,000 and HK\$250,000 respectively.

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 each reporting period.

Fair value measurement

The directors of the Company consider that the fair values of current financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate to their corresponding carrying amounts due to short-term maturities.

The directors of the Company also consider that the fair value of non-current financial liabilities recorded at amortised cost in the Financial Information approximately to its corresponding carrying amount due to insignificant impact of discounting.

7. TURNOVER AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for construction and site formation services rendered for the years ended 31 March 2014, 2015 and 2016.

HKFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM") (the directors of the Company) in order to allocate resources to segments and to assess their performance.

The Group's operating activities are attributable to a single operating segment focusing on the provision of construction and site formation services. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies which conform to HKFRSs, that is regularly reviewed by the CODM. The CODM monitors the revenue from provision of construction and site formation services for the purpose of making decisions about resources allocation and performance assessment. The CODM reviews the profit for the year of the Group as a whole for performance assessment. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM.

Geographical information

The Group's revenue from external customers by location of the operations is derived solely in Hong Kong (country of domicile). Non-current assets of the Group by location of the assets are all located in Hong Kong. As a result, geographical information has not been presented.

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Customer A	52,022	N/A*	N/A*
China State Construction	27,745	138,450	70,328
Customer C	N/A*	N/A*	82,227
Customer D	N/A*	N/A*	39,007

* The corresponding revenue does not contribute over 10% of total revenue of the Group.

8. OTHER INCOME

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Bank interest income	–	1	3
Gain on disposals of plant and equipment	–	56	–
Refund of MPF contributions	–	–	206
Others	–	2	306
	<u>–</u>	<u>2</u>	<u>306</u>
	<u>–</u>	<u>59</u>	<u>515</u>

9. FINANCE COSTS

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Interest on:			
– unsecured bank overdrafts and unsecured bank borrowings	89	154	67
– obligations under finance leases	90	235	308
	<u>90</u>	<u>235</u>	<u>308</u>
	<u>179</u>	<u>389</u>	<u>375</u>

10. TAXATION

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Current year taxation			
Hong Kong Profits Tax	1,242	4,520	5,015
Deferred taxation (<i>note 25</i>)	551	552	1,160
	<u>551</u>	<u>552</u>	<u>1,160</u>
	<u>1,793</u>	<u>5,072</u>	<u>6,175</u>

Pursuant to the laws and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI during the Track Record Period.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits during the Track Record Period.

Income tax expenses for the Track Record Period can be reconciled to the profit before taxation per the combined statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March		
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
Profit before taxation	11,446	30,743	34,599
Tax calculated at the domestic income tax rate	1,889	5,073	5,709
Tax effect of expenses not deductible	12	20	489
Tax effect of income not taxable	–	(1)	(3)
Utilisation of tax losses previously not recognised	(98)	–	–
Effect of tax exemption granted (<i>note</i>)	(10)	(20)	(20)
Income tax expense for the year	1,793	5,072	6,175

Note: Tax exemption represented a reduction of Hong Kong Profits Tax for the years of assessment 2013/2014, 2014/2015 and 2015/2016 by 75%, subject to a ceiling of HK\$10,000, HK\$20,000 and HK\$20,000 respectively.

11. PROFIT FOR THE YEAR

	Year ended 31 March		
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
Profit for the year has been arrived at after charging:			
Staff costs			
– Salaries, wages, allowances and other benefits	15,897	39,648	23,042
– Redundancy costs	–	251	250
– Contributions to retirement benefits scheme	617	1,496	817
Total staff costs (excluding directors' emoluments (<i>note 12</i>))	16,514	41,395	24,109
Auditor's remuneration	70	98	97
Loss on disposals of plant and equipment	–	–	24
Depreciation of plant and equipment	3,466	4,363	7,545
(Less)/add: Amount included in amounts due from (to) customers for contract work	(1,264)	2,051	126
Minimum lease payments paid under operating lease in respect of office premises	2,202	6,414	7,671
Listing expenses	–	99	269
	–	–	2,830

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the directors and the chief executive officer ("CEO") of the Company were as follows:

For the year ended 31 March 2014

Name of director	Fees <i>HK\$'000</i>	Salaries, allowances and other benefits <i>HK\$'000</i>	Contributions to retirement benefits scheme <i>HK\$'000</i>	Total <i>HK\$'000</i>
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Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:

Executive directors				
Ms. Choi	–	–	–	–
Mr. Tang	–	780	15	795
	–	780	15	795

For the year ended 31 March 2015

Name of director	Fees <i>HK\$'000</i>	Salaries, allowances and other benefits <i>HK\$'000</i>	Contributions to retirement benefits scheme <i>HK\$'000</i>	Total <i>HK\$'000</i>
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Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:

Executive directors				
Ms. Choi	–	–	–	–
Mr. Tang	–	840	18	858
Mr. Kwok (appointed on 31 January 2015)	–	200	3	203
	–	1,040	21	1,061

For the year ended 31 March 2016

Name of director	Fees <i>HK\$'000</i>	Salaries, allowances and other benefits <i>HK\$'000</i>	Contributions	Total <i>HK\$'000</i>
			to retirement benefits scheme <i>HK\$'000</i>	
Executive directors				
Ms. Choi	–	226	4	230
Mr. Tang	–	922	18	940
Mr. Kwok	–	1,282	18	1,300
	–	2,430	40	2,470

Mr. Kwok is also the CEO of the Company and his emoluments disclosed above include those for services rendered by him as the CEO.

No directors and CEO waived or agreed to waive any emoluments during the Track Record Period.

No emoluments were paid by the Group to any directors and CEO of the Company as an inducement to join or upon joining the Group or as compensation for loss of office during the Track Record Period.

13. INDIVIDUAL WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one, one and two of them were directors, including CEO, of the Company during the Track Record Period, whose emoluments are included in the disclosures in note 12 above. The emoluments of the remaining four, four and three individuals of the Group during the Track Record Period were as follows:

	Year ended 31 March		
	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Salaries, allowances and other benefits	2,061	3,280	2,231
Contributions to retirement benefits scheme	60	68	54
	2,121	3,348	2,285

The emolument of each of the above employees was also below HK\$1,000,000.

No emoluments were paid by the Group to any five highest paid individuals including directors and CEO of the Company as an inducement to join or upon joining the Group or as compensation for loss of office during the Track Record Period.

14. DIVIDENDS

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Dividends recognised as distribution during the year:			
2016 Interim	—	—	20,000
	<u> </u>	<u> </u>	<u> </u>

No dividend was paid or proposed by the Company during the Track Record Period, nor has any dividend been proposed since the end of the reporting period.

On 22 January 2016, the directors of C&H declared an interim dividend of approximately HK\$20,000,000 to its shareholders (the "Shareholders") for the year ended 31 March 2016.

Subsequent to the end of the reporting period, an interim dividend of HK\$19,000,000 for the year ending 31 March 2017 has been proposed and declared by the directors of C&H on 30 May 2016 and paid on 31 May 2016.

The rates of dividend and the number of shares ranking for the above dividend are not presented as such information is not considered meaningful for the purpose of this report.

15. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of the Financial Information, is not considered meaningful due to the presentation of the statements of profit or loss and other comprehensive income of the Group for the Track Record Period is on a combined basis as disclosed in note 1.

16. PLANT AND EQUIPMENT

	Plant and machinery <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST					
At 1 April 2013	9,582	375	599	–	10,556
Additions	<u>8,485</u>	<u>166</u>	<u>4,333</u>	<u>–</u>	<u>12,984</u>
At 31 March 2014 and 1 April 2014	18,067	541	4,932	–	23,540
Additions	7,678	1	1,470	–	9,149
Disposals	<u>–</u>	<u>–</u>	<u>(95)</u>	<u>–</u>	<u>(95)</u>
At 31 March 2015 and 1 April 2015	25,745	542	6,307	–	32,594
Additions	11,629	80	3,857	79	15,645
Disposals	<u>–</u>	<u>–</u>	<u>(965)</u>	<u>–</u>	<u>(965)</u>
At 31 March 2016	<u><u>37,374</u></u>	<u><u>622</u></u>	<u><u>9,199</u></u>	<u><u>79</u></u>	<u><u>47,274</u></u>
ACCUMULATED DEPRECIATION					
At 1 April 2013	9,582	288	201	–	10,071
Charge for the year	<u>2,121</u>	<u>129</u>	<u>1,216</u>	<u>–</u>	<u>3,466</u>
At 31 March 2014 and 1 April 2014	11,703	417	1,417	–	13,537
Charge for the year	2,978	42	1,343	–	4,363
Eliminated on disposals	<u>–</u>	<u>–</u>	<u>(40)</u>	<u>–</u>	<u>(40)</u>
At 31 March 2015 and 1 April 2015	14,681	459	2,720	–	17,860
Charge for the year	5,779	57	1,673	36	7,545
Eliminated on disposals	<u>–</u>	<u>–</u>	<u>(41)</u>	<u>–</u>	<u>(41)</u>
At 31 March 2016	<u><u>20,460</u></u>	<u><u>516</u></u>	<u><u>4,352</u></u>	<u><u>36</u></u>	<u><u>25,364</u></u>
CARRYING VALUES					
At 31 March 2014	<u><u>6,364</u></u>	<u><u>124</u></u>	<u><u>3,515</u></u>	<u><u>–</u></u>	<u><u>10,003</u></u>
At 31 March 2015	<u><u>11,064</u></u>	<u><u>83</u></u>	<u><u>3,587</u></u>	<u><u>–</u></u>	<u><u>14,734</u></u>
At 31 March 2016	<u><u>16,914</u></u>	<u><u>106</u></u>	<u><u>4,847</u></u>	<u><u>43</u></u>	<u><u>21,910</u></u>

The above items of plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Plant and machinery	25% per annum
Furniture and fixtures	25% per annum
Motor vehicles	25% per annum
Leasehold improvements	Over the lease terms

The carrying values of plant and equipment held under finance leases were as follows:

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Plant and machinery	–	2,734	6,852
Motor vehicles	3,235	3,433	1,763
	<u>3,235</u>	<u>6,167</u>	<u>8,615</u>

17. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	At 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Contracts in progress at the end of each reporting period:			
Contract costs incurred plus recognised profits less recognised losses	191,182	134,740	347,546
Less: progress billings	<u>(192,547)</u>	<u>(159,453)</u>	<u>(357,232)</u>
	<u>(1,365)</u>	<u>(24,713)</u>	<u>(9,686)</u>
Analysed for reporting purposes as:			
Amounts due from customers for contract work	439	763	19,822
Amounts due to customers for contract work	<u>(1,804)</u>	<u>(25,476)</u>	<u>(29,508)</u>
	<u>(1,365)</u>	<u>(24,713)</u>	<u>(9,686)</u>

Notes:

- (i) As at 31 March 2015 and 31 March 2016, gross amounts due from customers for contract work included balances of HK\$478,000 and HK\$11,163,000 respectively that were not yet certified by the customers as at each reporting date. These amounts represented the timing difference between the completion of works and the issuance of progress certificates.

In April 2015 and May 2016, the Group received certificates from the customers amounting to HK\$478,000 and HK\$11,163,000 respectively in connection with the construction works mentioned above.

- (ii) As at 31 March 2014, 31 March 2015 and 31 March 2016, gross amounts due to customers for contract work included balances of HK\$5,178,000, HK\$11,362,000 and HK\$10,803,000 respectively that were not yet certified by the customers as at each reporting date. These amounts represented the timing difference between the completion of works and the issuance of progress certificates.

In April 2014, April 2015 and May 2016, the Group received certificates from the customers amounting to HK\$5,178,000, HK\$11,362,000 and HK\$10,803,000 respectively in connection with the construction works mentioned above.

18. TRADE AND OTHER RECEIVABLES

	At 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Trade receivables	4,849	646	6,770
Retention receivables (<i>Note</i>)	7,095	9,589	22,446
Prepaid listing expenses	–	–	783
Prepayments, deposits and other receivables	30	725	2,688
	<u>11,974</u>	<u>10,960</u>	<u>32,687</u>

Note: Retention receivables are included in current assets as the Group expects to realise these within its normal operating cycle.

The Group does not hold any collateral over these balances.

The Group does not have a standardised and universal credit period granted to its customers, and the credit period of individual customer is considered on a case-by-case basis and stipulated in the project contract, as appropriate. The following is an aged analysis of trade receivables, presented based on the certified report which approximates revenue recognition date and invoice date at the end of each reporting period:

	At 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
0 to 30 days	4,849	646	6,401
31 to 60 days	–	–	365
61 to 120 days	–	–	4
	<u>4,849</u>	<u>646</u>	<u>6,770</u>

Trade receivables that were neither past due nor impaired related to customers that have no recent history of default payment.

As at 31 March 2014, 2015 and 2016, included in the Group's trade receivable balances were debtors with aggregate carrying amount of approximately Nil, Nil and HK\$4,000 respectively which were past due at the end of each reporting period for which the Group has not provided for impairment loss.

The aged analysis of trade receivables which were past due but not impaired is set out below:

	At 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
61 to 120 days	<u>–</u>	<u>–</u>	<u>4</u>

The directors of the Company consider that there has not been a significant change in credit quality of the relevant customers and there is no recent history of default, therefore the amounts are considered to be recoverable.

19. AMOUNTS DUE FROM DIRECTORS

As at 31 March 2014, 2015 and 2016, the amounts due from directors, were unsecured, interest-free and repayable on demand.

	At 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Mr. Tang	9,254	26,452	29
Mr. Kwok	—	4,031	64
	<u>9,254</u>	<u>30,483</u>	<u>93</u>

The Group does not hold any collateral over the amounts due from directors.

20. BANK BALANCES

Bank balances carry interest at prevailing market rates of approximately 0.01% per annum during the Track Record Period.

21. TRADE AND OTHER PAYABLES

	At 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	7,469	6,115	18,195
Retention payables	1,950	2,372	6,028
Accrued expenses and other payables	<u>2,475</u>	<u>2,849</u>	<u>7,573</u>
	<u>11,894</u>	<u>11,336</u>	<u>31,796</u>

Trade payables represented payables to suppliers and subcontractors. The credit terms granted by subcontractors were stipulated in the relevant contracts and the payables were usually due for settlement within 30-60 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe. The following is the aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

	At 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	5,785	1,711	12,317
31 to 60 days	752	1,983	5,269
61 to 90 days	524	164	290
91to 365 days	408	397	319
Over 1 year	—	1,860	—
	<u>7,469</u>	<u>6,115</u>	<u>18,195</u>

22. AMOUNT DUE TO A RELATED COMPANY

As at 31 March 2014, 2015 and 2016, the amount due to a related company, was unsecured, interest-free and repayable on demand.

	At 31 March		
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
Chun Hung Development Limited ("Chun Hung")	961	57	–

Ms. Choi and Mr. Tang, the directors of the Company, are the beneficial shareholders of Chun Hung.

23. UNSECURED BANK BORROWINGS/UNSECURED BANK OVERDRAFTS

	At 31 March		
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
Unsecured bank borrowings	3,347	1,828	248
Unsecured bank overdrafts	–	42	–
	<u>3,347</u>	<u>1,870</u>	<u>248</u>

Unsecured bank borrowings

	At 31 March		
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
Unsecured bank borrowings repayable (based on scheduled repayment dates as set out in the loan agreements):			
On demand or within one year	1,519	1,580	248
More than one year but not exceeding two years	1,580	248	–
More than two years but not exceeding five years	248	–	–
	<u>3,347</u>	<u>1,828</u>	<u>248</u>
Less: Carrying amount of unsecured bank borrowings that are not repayable on demand or within one year from the end of the reporting period not contain a repayment on demand clause	(1,828)	(248)	–
Less: Amounts due within one year shown under current liabilities and contain a repayment on demand clause	<u>(1,519)</u>	<u>(1,580)</u>	<u>(248)</u>
	<u>–</u>	<u>–</u>	<u>–</u>

During the Track Record Period, unsecured bank borrowings carried floating interest rates ranging from 5.70% to 11.08% per annum, at 5.70% per annum and at 5.70% per annum respectively. The weighted average interest rate as at 31 March 2014, 2015 and 2016 were 5.74%, 5.70% and 5.70% per annum respectively.

As at 31 March 2014, 2015 and 2016, the unsecured bank borrowings and general banking facilities were guaranteed by personal guarantees given by the Company's directors, Ms. Choi and Mr. Tang.

Unsecured bank overdrafts

As at 31 March 2015, unsecured bank overdrafts carried floating interest rate at of 15.25% per annum.

24. OBLIGATIONS UNDER FINANCE LEASES

	At 31 March		
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
Analysed for reporting purposes as:			
Current liabilities	1,029	2,629	3,391
Non-current liabilities	<u>2,472</u>	<u>3,053</u>	<u>3,547</u>
	<u>3,501</u>	<u>5,682</u>	<u>6,938</u>

It is the Group's policy to lease certain of its machineries and motor vehicles under finance leases. The average lease term ranged from 2 to 5 years for the Track Record Period approximately. The obligations under finance leases carried interest at floating rates from 4.5% to 4.8% per annum or at fixed rates from 3.8% to 5.0% per annum during the Track Record Period.

	Minimum lease payments at 31 March			Present value of minimum lease payments at 31 March		
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
Amounts payable under finance leases						
Within one year	1,147	2,808	3,625	1,029	2,629	3,391
More than one year but less than two years	941	2,017	2,692	862	1,933	2,593
More than two years but less than five years	<u>1,680</u>	<u>1,145</u>	<u>969</u>	<u>1,610</u>	<u>1,120</u>	<u>954</u>
	3,768	5,970	7,286	3,501	5,682	6,938
Less: future finance charges	<u>(267)</u>	<u>(288)</u>	<u>(348)</u>	N/A	N/A	N/A
Present value of obligations under finance leases	<u>3,501</u>	<u>5,682</u>	<u>6,938</u>			
Less: amount due for settlement with 12 months (shown under current liabilities)				<u>(1,029)</u>	<u>(2,629)</u>	<u>(3,391)</u>
Amount due for settlement after 12 months				<u>2,472</u>	<u>3,053</u>	<u>3,547</u>

The Group's obligations under finance leases were secured by the lessors' charge over the leased assets (see note 16) and personal guarantees given by the Company's directors, Ms. Choi and Mr. Tang, as at 31 March 2014, 2015 and 2016.

25. DEFERRED TAX LIABILITIES

Deferred tax liability arising from accelerated tax depreciation recognised by the Group and movements thereof during the Track Record Period were as follows:

	<i>HK\$'000</i>
At 1 April 2013	–
Charged to profit or loss (<i>note 10</i>)	<u>551</u>
At 31 March 2014 and 1 April 2014	551
Charged to profit or loss (<i>note 10</i>)	<u>552</u>
At 31 March 2015 and 1 April 2015	1,103
Charged to profit or loss (<i>note 10</i>)	<u>1,160</u>
At 31 March 2016	<u><u>2,263</u></u>

At 1 April 2013, the Group has unused tax losses of approximately HK\$592,000 available for offset against future profits. No deferred tax asset has been recognised in respect of such losses and they have been fully utilised during the year ended 31 March 2014.

26. SHARE CAPITAL

The share capital of the Group in the combined statements of financial position as at 31 March 2014 and 2015 represented the share capital of C&H. The balance of share capital as at 31 March 2016 represented the combined share capital of the Company, Honestly Luck, Tall Too and C&H.

The Company was incorporated on 31 March 2016 with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On the same date, one nil-paid share was allotted and issued to the subscriber of the Company.

27. RETIREMENT BENEFITS PLANS

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. The assets of the MPF are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the MPF Scheme, which contribution is matched by employees and subject to a cap of HK\$1,250 prior to June 2014, and HK\$1,500 thereafter per employee.

During the Track Record Period, the total expense recognised in the combined statements of profit or loss and other comprehensive income is approximately HK\$632,000, HK\$1,517,000 and HK\$857,000 respectively, which represent contributions payable to the scheme by the Group at rates specified in the rules of the scheme.

28. OPERATING LEASE COMMITMENTS**The Group as lessee**

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 31 March		
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
Within one year	–	18	288
In the second to fifth year inclusive	–	–	48
	<u>–</u>	<u>18</u>	<u>336</u>

Operating lease payments represents rentals payable by the Group for its office premises. Leases are negotiated and rentals are fixed for a term ranging from 1 to 2 years.

29. RELATED PARTY TRANSACTIONS

(a) Save as disclosed elsewhere in the Financial Information, during the Track Record Period, the Group entered into transactions with related parties as follows:

Related party	Nature of transaction	Year ended 31 March		
		2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
Chun Hung	Machinery rental paid	3,966	1,055	184
	Acquisition of motor vehicles	–	–	3,600
DKW Development Limited ("DKW") (Note i)	Consultancy fees paid	900	–	–
Ms. Choi	Office rental paid	–	99	18
		<u>–</u>	<u>99</u>	<u>18</u>

Note:

i. Mr. Kwok, the director of the Company, is the beneficial shareholder and director of DKW.

The above transactions were conducted at terms determined on a basis mutually agreed between the Group and the related parties.

(b) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management personnel during the Track Record Period were as follows:

	Year ended 31 March		
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
Short-term benefits	2,841	4,320	4,661
Post-employment benefits	75	89	94
	<u>2,916</u>	<u>4,409</u>	<u>4,755</u>

(c) Other guarantees

As at 31 March 2014, 2015 and 2016, certain contracts for the performance works of provision of site formation works amounted to HK\$166,706,000, HK\$295,081,000 and HK\$295,081,000, respectively, were guaranteed by the personal guarantees given by the Company's directors, Mr. Tang and Mr. Kwok. Subsequent to the reporting date, the Group has accepted a quotation to take out a surety bond before Listing from an independent authorised insurer in favour of a customer for due performance of the Group's obligations under a construction contract, and the surety bond and the personal guarantees given by Mr. Tang and Mr. Kwok will be released upon completion of this contract.

30. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING

The disclosures set out in the tables below include financial assets and financial liabilities that are offset in the Group's combined statements of financial position.

As at 31 March 2014, 2015 and 2016, the Group currently has a legally enforceable right to set off the trade receivables from its customers and the trade payables to the same counterparties that are due to be settled on the same date and the Group intended to settle these balances on a net basis.

	Gross amounts of recognised financial assets <i>HK\$'000</i>	Gross amounts of recognised financial liabilities set off in the combined statements of financial position <i>HK\$'000</i>	Net amounts of financial assets presented in the combined statements of financial position <i>HK\$'000</i>	Related amounts not set off in the combined statements of financial position Financial instruments <i>HK\$'000</i>	Net amount <i>HK\$'000</i>
As at 31 March 2014					
Trade and other receivables	12,827	(853)	11,974	(7,095)	4,879
As at 31 March 2015					
Trade and other receivables	11,023	(63)	10,960	(9,883)	1,077
As at 31 March 2016					
Trade and other receivables	32,687	–	32,687	(25,385)	7,302

	Gross amounts of recognised financial liabilities <i>HK\$'000</i>	Gross amounts of recognised financial assets set off in the combined statement of financial position <i>HK\$'000</i>	Net amounts of financial liabilities presented in the combined statement of financial position <i>HK\$'000</i>	Financial instruments <i>HK\$'000</i>	Related amounts not set off in the combined statement of financial position Net amount <i>HK\$'000</i>
As at 31 March 2014					
Trade and other payables	(12,747)	853	(11,894)	11,894	–
As at 31 March 2015					
Trade and other payables	(11,399)	63	(11,336)	11,336	–
As at 31 March 2016					
Trade and other payables	(31,796)	–	(31,796)	26,778	(5,018)

31. MAJOR NON-CASH TRANSACTIONS

- (a) During the years ended 31 March 2014, 2015 and 2016, the Group entered into finance lease arrangements in respect of machineries and motor vehicles with a total capital value at the inception of the leases of approximately HK\$3,915,000, HK\$4,280,000 and HK\$5,410,000 respectively.
- (b) During the year ended 31 March 2015, the Group acquired plant and equipment from a customer at a consideration of HK\$1,006,000 which was settled through the trade receivable due from this customer.
- (c) During the year ended 31 March 2016, an interim dividend payable by C&H in amount of HK\$20,000,000 to its Shareholders was settled through the amounts due from directors by the same amount. Certain dividend due to a shareholder, Ms. Choi, was received by a director of C&H on her behalf, and such amount has been settled between that director and Ms. Choi.

B. EVENTS AFTER THE REPORTING PERIOD

The following significant events took place subsequent to 31 March 2016:

(a) Reorganisation

The Group comprising the Company and its subsidiaries underwent a reorganisation to rationalise the Group's structure in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange. Details of the Reorganisation are set out in the section headed "History and Development" to the Prospectus. As a result of the Reorganisation, the Company became the holding company of the Group on 20 September 2016.

(b) Dividend

Subsequent to the end of reporting period, an interim dividend of HK\$19,000,000 for the year ending 31 March 2017 has been proposed and declared by the directors of a subsidiary, C&H, and paid on 31 May 2016.

(c) Share option scheme

Pursuant to the written resolution of the sole shareholder of the Company passed on 20 September 2016, the Company has conditionally adopted a share option scheme, details of which are set out in the paragraph headed "(D) Share Option Scheme" in Appendix IV to the Prospectus.

(d) Release of personal guarantees

The personal guarantees of the unsecured bank borrowings and finance leases given by the Company's directors, Ms. Choi and Mr. Tang, will be released or replaced by the Group's corporate guarantee upon Listing.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company or any of the companies comprising the Group in respect of any period subsequent to 31 March 2016.

Yours faithfully,

SHINEWING (HK) CPA Limited

Certified Public Accountants

Wong Hon Kei, Anthony

Practising Certificate Number: P05591

Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this Appendix does not form part of the Accountants' Report from the reporting accountants, SHINEWING (HK) CPA LIMITED, Certified Public Accountants, Hong Kong, as set out in Appendix I, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION



SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

30 September 2016

The Directors
CHerish Holdings Limited
Office no. 917, Shatin Galleria
18-24 Shan Mei Street
Fo Tan, New Territories
Hong Kong

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of CHerish Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted combined net tangible assets as at 31 March 2016 and related notes as set out in Appendix II to the prospectus of the Company dated 30 September 2016 (the "Prospectus") in connection with the proposed public offer and placing the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Share Offer"). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described in Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Share Offer on the Group's financial position as at 31 March 2016 as if the Share Offer had taken place at 31 March 2016. As part of this process, information about the Group's financial position has been extracted by the directors of the Company from the Group's combined financial statements for the year ended 31 March 2016, on which an accountants' report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirement 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 behavior.

The 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 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of the Share Offer on unadjusted financial information of the Group as if the Share Offer had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Share Offer at 31 March 2016 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of the Company in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

SHINEWING (HK) CPA Limited

Certified Public Accountants

Wong Hon Kei, Anthony

Practising Certificate Number: P05591

Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The following is the unaudited pro forma statement of adjusted combined net tangible assets of the Group, prepared in accordance with Rule 4.29 of the Listing Rules and is for illustrative purpose only, and is set out below to illustrate the effect of the Share Offer on the combined net tangible assets of the Group attributable to the owners of the Company as at 31 March 2016 as if the Share Offer had taken place on 31 March 2016.

The unaudited pro forma statement of adjusted combined net tangible assets of the Group has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group as at 31 March 2016, or at any future date following the Share Offer.

The unaudited pro forma statement of adjusted combined net tangible assets of the Group is prepared based on the combined net tangible assets of the Group attributable to the owners of the Company as at 31 March 2016 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 combined net tangible assets of the Group attributable to the owners of the Company as at 31 March 2016	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company immediately after the completion of the Share Offer	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company per Share as at 31 March 2016
<i>HK\$'000</i> <i>(note 1)</i>	<i>HK\$'000</i> <i>(note 2)</i>	<i>HK\$'000</i>	<i>HK\$</i> <i>(note 3)</i>
Based on Offer Price of HK\$0.70 per Share	<u>45,202</u>	<u>82,920</u>	<u>128,122</u>
			<u>0.17</u>

Notes:

1. The audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 March 2016 is extracted from the Accountants' Report as set out in Appendix I to this prospectus.

2. The estimated net proceeds from the Share Offer are based on 140,000,000 new Shares at the Offer Price of HK\$0.70 per Share, after deducting the underwriting fees and other related expenses payable by the Group in relation to the Share Offer and do not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme.
3. The unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company per Share is arrived at after adjustment for the estimated net proceeds from the Share Offer as described in note 2 and on the basis that a total of 740,000,000 Shares were in issue as at 31 March 2016 (including Shares in issue as at the date of this prospectus and those Shares are expected to be issued pursuant to the Share Offer and the Capitalisation Issue, but not taking into account of any Shares which may be issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme).
4. No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company to reflect any trading results or other transactions of our Group entered into subsequent to 31 March 2016.
5. The unaudited pro forma adjusted combined net tangible assets and the unaudited pro forma adjusted combined net tangible assets per Share do not take into account the interim dividend declared on 30 May 2016 amounting to HK\$19,000,000, all of which was settled on 31 May 2016. The unaudited pro forma adjusted combined net tangible assets per Share would have been reduced to HK\$0.15 per Share, after taking into account the payment of such dividend in the sum of HK\$19,000,000.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 31 March 2016 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Memorandum of Association (the “Memorandum”) and the Articles of Association (the “Articles”) 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 20 September 2016. 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) *Financial assistance to purchase shares of the Company or its subsidiaries*

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. There is no provision in the Articles that prohibits the Company from giving financial assistance for the purchase shares of its subsidiaries.

(vi) *Disclosure of interests in contracts with the Company or any of its subsidiaries.*

A Director may hold any other office or place of profit with the Company (except that of 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.

(vii) 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.

(viii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) 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.

(ix) 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.

(x) 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.

(xi) 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 rules of the Designated Stock Exchange (as defined in the Articles), 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 rules of the Designated Stock Exchange (as defined in the Articles), 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 any newspapers or by any other means 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 rules of the Designated Stock Exchange (as defined in the Articles) 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 COMPANY 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 11 May, 2016.

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 for 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 company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix 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 of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 31 March 2016. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 26 May 2016 and our principal place of business in Hong Kong is at Office No. 917, Shatin Galleria, 18-24 Shan Mei Street, Fo Tan, New Territories, Hong Kong. Mr. Kwok Hoi Chiu of Flat D, 37/F., Tower 5, The Riverpark, 8 Che Kung Miu Road, Sha Tin, New Territories, Hong Kong has been appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company is incorporated in the Cayman Islands, our Company is subject to the relevant laws of the Cayman Islands and the constitution which comprises the Memorandum and the Articles. A summary of the relevant aspects of the Company Law and certain provisions of the Articles is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

- (a) As at the date of incorporation of our Company, the authorised share capital was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. One Share was allotted and issued nil-paid to the subscriber to the memorandum and articles of association of our Company on 31 March 2016, which was subsequently transferred to Waterfront Palm on the same date.
- (b) On 20 September 2016, our Shareholders resolved to increase the authorised share capital of our Company from HK\$380,000 to HK\$20,000,000 by the creation of an additional 1,962,000,000 Shares, each ranking *pari passu* with our Shares then in issue in all respects.
- (c) Pursuant to the Reorganisation and as consideration for the acquisition by our Company of the entire issued shares of Honestly Luck from Waterfront Palm, on 20 September 2016, (i) the one nil-paid Share then held by Waterfront Palm was credited as fully paid at par, and (ii) 9,999 Shares, all credited as fully paid at par, were allotted and issued to Waterfront Palm.
- (d) Immediately following completion of the Share Offer and the Capitalisation Issue, and taking no account of any Share which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, 740,000,000 Shares will be issued fully paid or credited as fully paid, and 1,260,000,000 Shares will remain unissued.
- (e) Other than pursuant to the general mandate to issue Shares referred to in the paragraph “(A) Further Information about Our Company – 3. Written resolutions of our sole Shareholder passed on 20 September 2016” in this appendix, and pursuant to the Share Option Scheme, our Company does not

have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

- (f) Save as disclosed in this prospectus, there has been no alteration in our Company's share capital since its incorporation.

3. Written resolutions of our sole Shareholder passed on 20 September 2016

By written resolutions of our sole Shareholder passed on 20 September 2016:

- (a) our Company approved and adopted the Memorandum and the Articles, the material terms of which are summarised in Appendix III to this prospectus;
- (b) conditional on the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and our Shares to be issued as mentioned in this prospectus (including any Shares to be issued upon exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme) and on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the date falling 30 days after the date of this prospectus:
 - (i) the Share Offer and the Over-allotment Option were approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer and the Over-allotment Option to rank *pari passu* with the then existing Shares in all respects;
 - (ii) conditional further on the share premium account of our Company being credited as a result of the Placing, the Capitalisation Issue was approved, and our Directors were authorised to capitalise an amount of HK\$5,999,900 standing to the credit of the share premium account of our Company and to appropriate such amount as to capital to pay up in full at par 599,990,000 Shares for allotment and issue to Waterfront Palm, each ranking *pari passu* in all respects with the then existing issued Shares, and our Directors were authorised to give effect to such capitalisation and distributions; and
 - (iii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "(D) Share Option Scheme" in this appendix, were approved and adopted and our Directors were authorised, subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares pursuant to the exercise of

subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;

- (c) a general unconditional mandate was given to our Directors to allot, issue and deal with, otherwise than by way of rights or an issue of Shares pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any Share allotted in lieu of the whole or part of a dividend on our Shares in accordance with the Articles or pursuant to a specific authority granted by our Shareholders or pursuant to the Share Offer, Shares with an aggregate nominal value not exceeding 20% of the number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares to be issued upon exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, and such mandate to remain in effect until the earliest of:
 - (i) the conclusion of the next annual general meeting of our Company; or
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;

- (d) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares to be issued upon exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, and such mandate to remain in effect until the earliest of:
 - (i) the conclusion of the next annual general meeting of our Company; or
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting; and

- (e) the general unconditional mandate mentioned in sub-paragraph (c) above was extended by the addition to the number of Shares which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (d) above, provided that such extended amount shall not exceed 10% of the number of Shares in issue immediately following completion of the Share Offer and Capitalisation Issue but excluding any Shares to be issued upon exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme.

4. Corporate reorganisation

The companies comprising our Group underwent the Reorganisation to rationalise our Group's structure in preparation for the Listing of our Shares on the Stock Exchange, pursuant to which our Company became the holding company of our Group. The key steps of the Reorganisation are set out in the section headed "History and Development – Reorganisation" in this prospectus.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the accountants' report, the text of which is set out in Appendix I to this prospectus.

Save as disclosed above, and as mentioned in the paragraph "(A) Further Information about Our Company – 4. Corporate reorganisation" in this appendix and in the section "History and Development – Reorganisation" in this prospectus, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

6. Repurchase of our Shares by our Company

This section includes information required by the Stock Exchange to be included in the prospectus concerning the repurchase of our Shares by our Company.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.

(i) Shareholders' approval

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

Note: Pursuant to the written resolutions of our Shareholders passed on 20 September 2016, a general unconditional mandate (the “Repurchase Mandate”) was given to our Directors authorising our Directors to exercise all powers of our Company to purchase on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares representing up to 10% of the aggregate of the nominal value of the share capital in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Share to be issued upon exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until the earliest of 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 the Companies Law or any other applicable laws of the Cayman Islands to be held, or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any repurchases by our Company may be made out of profits, share premium or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company’s share premium account or, if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) Connected parties

The Listing Rules prohibit our Company from knowingly repurchasing our Shares on the Stock Exchange from a “core connected person”, which includes a director, chief executive or substantial shareholder of our Company or any of our subsidiaries or a close associate (as defined in the Listing Rules) of any of them and a core connected person shall not knowingly sell Shares to our Company.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company’s net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Exercise of the Repurchase Mandate

On the basis of 740,000,000 Shares in issue after completion of the Share Offer and the Capitalisation Issue, exercise in full of the Repurchase Mandate, could accordingly result in up to 74,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(d) Funding of repurchase

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) General

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules), has any present intention if the Repurchase Mandate is exercised to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations from time to time in force in the Cayman Islands.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. In certain circumstances, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code), depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase.

Save as disclosed above, our Directors are not aware of any consequence that may arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate. Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No connected person of our Company has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

(B) FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material in relation to the business of our Company as a whole:

- (a) an instrument of transfer dated 31 May 2016 entered into between Ms. Choi (as transferor) and Honestly Luck (as transferee) for the transfer of five ordinary shares of C&H from Ms. Choi to Honestly Luck in consideration of Honestly Luck allotting and issuing 50 ordinary shares of US\$1.00 each in Honestly Luck, credited as fully paid at par, to Waterfront Palm as directed by Ms. Choi;
- (b) bought and sold notes dated 31 May 2016 executed by Ms. Choi (as seller) and Honestly Luck (as buyer) for the transfer of five ordinary shares of C&H as referred to in paragraph (a) above;
- (c) an instrument of transfer dated 31 May 2016 entered into between Mr. Tang (as transferor) and Honestly Luck (as transferee) for the transfer of four ordinary shares of C&H from Mr. Tang to Honestly Luck in consideration of Honestly Luck allotting and issuing 40 ordinary shares of US\$1.00 each in Honestly Luck, credited as fully paid at par, to Waterfront Palm as directed by Mr. Tang;
- (d) bought and sold notes dated 31 May 2016 executed by Mr. Tang (as seller) and Honestly Luck (as buyer) for the transfer of four ordinary shares of C&H as referred to in paragraph (c) above;
- (e) an instrument of transfer dated 31 May 2016 entered into between Mr. Kwok (as transferor) and Honestly Luck (as transferee) for the transfer of one ordinary share of C&H from Mr. Kwok to Honestly Luck in consideration of Honestly Luck allotting and issuing nine ordinary shares of US\$1.00 each in Honestly Luck, credited as fully paid at par, to Waterfront Palm as directed by Mr. Kwok;
- (f) bought and sold notes dated 31 May 2016 executed by Mr. Kwok (as seller) and Honestly Luck (as buyer) for the transfer of one ordinary share of C&H as referred to in paragraph (e) above;

- (g) a sale and purchase agreement dated 20 September 2016 entered into between Waterfront Palm (as seller) and our Company (as buyer) pursuant to which our Company acquired 100 ordinary shares of US\$1.00 each in Honestly Luck (representing the entire issued share capital of Honestly Luck), from Waterfront Palm, and in consideration of which, the one nil-paid Share held by Waterfront Palm was credited as fully paid, and 9,999 Shares were issued and allotted to Waterfront Palm, all credited as fully paid;
- (h) an instrument of transfer dated 20 September 2016 entered into between Waterfront Palm (as transferor) and our Company (as transferee) for the transfer of 100 ordinary shares of Honestly Luck as referred to in paragraph (g) above;
- (i) a deed of non-competition dated 20 September 2016 executed by Mr. Tang, Ms. Choi, Mr. Kwok, Waterfront Palm and our Company (for ourselves and as trustee for and on behalf of our subsidiaries), details of which are set out in the paragraph headed “Relationship with the Controlling Shareholders – Non-competition undertaking” in this prospectus;
- (j) a deed of indemnity dated 20 September 2016 executed by Mr. Tang, Ms. Choi, Mr. Kwok and Waterfront Palm in favour of our Company (for ourselves and as trustee for and on behalf of our subsidiaries) containing the indemnities referred to in the paragraph headed “(E) Other Information – 1. Tax and other indemnities” in this appendix;
- (k) the Public Offer Underwriting Agreement; and
- (l) the Placing Underwriting Agreement.

2. Intellectual property rights

As at the Latest Practicable Date, our Group has registered the following domain name:

Registrant	Domain name	Registration Date	Expiry Date
Tall Too	www.cherishholdings.com	11 June 2016	11 June 2017

**(C) FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS,
DIRECTORS AND EXPERTS****1. Disclosure of interests**

So far as our Directors are aware, immediately following completion of the Share Offer and the Capitalisation Issue but taking no account any Shares to be issued upon exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, the interests and short positions of our Directors or chief executive of our Company in our Shares, underlying Shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are listed on the 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 any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange, will be as follows:

(i) Long position in our Shares

Name of Director	Capacity/Nature	Number of Shares held/ Interested	Percentage of interest
Mr. Tang	Interest of a controlled corporation ^(Note 1)	555,000,000	75%
Ms. Choi	Interest of a controlled corporation ^(Note 2)	555,000,000	75%

Notes:

1. Mr. Tang beneficially owns 40% of the issued shares of Waterfront Palm. Therefore, Mr. Tang is deemed, or taken to be, interested in 555,000,000 Shares held by Waterfront Palm for the purpose of the SFO. Mr. Tang is the spouse of Ms. Choi.
2. Ms. Choi beneficially owns 50% of the issued shares of Waterfront Palm. Therefore, Ms. Choi is deemed, or taken to be, interested in 555,000,000 Shares held by Waterfront Palm for the purpose of the SFO. Ms. Choi is the spouse of Mr. Tang.

Immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Share to be issued upon exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), in view of the concert party arrangement among Mr. Tang, Ms. Choi and Mr. Kwok, details of which are set out in the section headed “History and Development – Concert Party Arrangement” in this prospectus, Mr. Tang, Ms. Choi and Mr. Kwok, who will, through Waterfront Palm, control an aggregate of

555,000,000 Shares, representing 75% of the enlarged issued share capital of our Company. Hence, Mr. Tang, Ms. Choi, Mr. Kwok and Waterfront Palm are a group of Controlling Shareholders within the meaning of the Listing Rules.

(ii) *Long position in the ordinary shares of associated corporation*

Name of Director	Name of associated corporation	Capacity/Nature	Number of Shares held/Interested	Percentage of interest (approximate)
Mr. Tang	Waterfront Palm	Beneficial owner <i>(Note)</i>	4	40%
Ms. Choi	Waterfront Palm	Beneficial owner <i>(Note)</i>	5	50%
Mr. Kwok	Waterfront Palm	Beneficial owner <i>(Note)</i>	1	10%

Note: Ms. Choi, Mr. Tang and Mr. Kwok beneficially own 50%, 40% and 10% of the issued shares of Waterfront Palm, respectively. Waterfront Palm, which holds 75% of the Shares in issue, is the holding company of our Company. Each of Ms. Choi, Mr. Tang and Mr. Kwok is an executive Director and a director of Waterfront Palm.

So far as is known to our Directors and taking no account any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the Share Offer and the Capitalisation Issue, have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Our Company

Name	Capacity/Nature of interest	Number of Shares held/interested	Percentage of interest
Waterfront Palm	Beneficial owner	555,000,000	75%

2. Particulars of service agreements

No Director has entered into any service agreement with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. Directors' remuneration

The aggregate amount of remuneration paid to our Directors by our Group in respect of the three financial years ended 31 March 2014, 2015 and 2016 were approximately HK\$0.8 million, HK\$1.1 million and HK\$2.5 million respectively.

- (a) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 March 2017 will be approximately HK\$3.2 million.
- (b) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

Executive Directors	<i>HK\$</i>
Mr. Tang Man On	1,440,000
Mr. Kwok Hoi Chiu	1,440,000
Ms. Choi Chun Chi Sandy	1,440,000
Independent non-executive Directors	
Mr. Cheung Wai Lun Jacky	100,000
Mr. Lee Chi Ming	150,000
Mr. Tang Chi Wai	100,000

- (c) Each of our Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than six months' notice served by either party on the other, and is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Articles.

4. Agency fees or commission received

Save as disclosed in the section headed "Underwriting" in this prospectus and this appendix, none of our Directors or the experts named in the paragraph headed "Other Information – 7. Consents of experts" in this appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

5. Related party transactions

Details of the related party transactions are set out under note 29 to the Accountants' Report set out in Appendix I to this prospectus.

6. Disclaimers

Save as disclosed in this prospectus:

- (a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and any member of our Group;
- (b) none of our Directors or the experts named in the paragraph “Other Information – 7. Consents of experts” in this appendix has any direct or indirect interest in the promotion of, 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 acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors or the experts named in the paragraph “Other Information – 7. Consents of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) taking no account of our Shares which may be issued pursuant to the Over-allotment Option and any options which may be granted under the Share Option Scheme, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Share Offer and the Capitalisation Issue, have any interest in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group;
- (e) none of our Directors or chief executive of our Company has any interest or short position in our Shares, underlying Shares or debentures of our Company or any of the associated corporations (within the meaning of the SFO) which, once our 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 any interests and short positions which he will be taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listing Companies in the Listing Rules, to be notified to our Company and the Stock Exchange; and

- (f) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

(D) SHARE OPTION SCHEME

(a) Definitions

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

“Adoption Date”	20 September 2016, the date on which the Share Option Scheme is conditionally adopted by the Shareholders by way of written resolution
“Board”	the board of Directors or a duly authorised committee of the board of Directors
“business day”	any day on which the Stock Exchange is open for the business of dealings in securities
“Group”	our Company and any entity in which our Company, directly or indirectly, holds any equity interest

(b) Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on 20 September 2016:

(i) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

(ii) Who may join and basis of eligibility

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our

Group, options to subscribe at a price calculated in accordance with paragraph (iii) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, our independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group

(iii) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by our Board and notified to a participant and shall be at least the higher of: (i) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of our Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option. For the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than five business days, the issue price of the Shares on the Stock Exchange shall be used as the closing price for any business day fall within the period before listing.

(iv) Grant of options and acceptance of offers

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$1.

(v) Maximum number of Shares

- (aa) Subject to sub-paragraphs (bb) and (cc) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all our Shares in issue as at the Listing Date (assuming the Over-allotment Option is not exercised). Therefore, it is expected that our Company may grant options in respect of up to 74,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 74,000,000 Shares from time to time) to the participants under the Share Option Scheme.

- (bb) The 10% limit as mentioned above may be refreshed at any time by approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of our Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to our Shareholders containing the information as required under the Listing Rules in this regard.
- (cc) Our Company may seek separate approval by our Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose and all other information required under the Listing Rules.
- (dd) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of our Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such 30% limit being exceeded.

(vi) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of our Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his associates abstaining from voting. In such event, our Company must send a circular to our Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted must be

fixed before the approval of our Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(vii) Grant of options to certain connected persons

- (aa) Any grant of an option to a Director, chief executive or substantial shareholder of our Company (or any of their respective associates) must be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).
- (bb) Where any grant of options to a substantial Shareholder or an independent nonexecutive Director (or any of their respective associates) will result in the total number of Shares issued and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:
 - (i) representing in aggregate over 0.1% of our Shares in issue; and
 - (ii) having an aggregate value, based on the closing price of our Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options is required to be approved by our Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to our Shareholders containing all information as required under the Listing Rules in this regard. All connected persons of our Company shall abstain from voting (except where any connected person intends to vote against the proposed grant). Any change in the terms of an option granted to a substantial Shareholder or an independent non-executive Director or any of their respective associates is also required to be approved by our Shareholders in the aforesaid manner.

(viii) Restrictions on the times of grant of options

- (aa) Our Company may not grant any options after inside information has come to its knowledge until such inside information has been announced. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:
 - (i) 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 other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for our Company to publish an announcement of the results for any year, or half-year under the Listing Rules, or quarterly or other interim period (whether or not required under the Listing Rules).

(bb) Further to the restrictions in paragraph (aa) above, no option may be granted to a Director on any day on which financial results of our Company are published:

(i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(ii) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(ix) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed 10 years from the date of grant subject to the provisions of early termination thereof.

(x) Performance targets

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(xi) Ranking of Shares

Our Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank pari passu in all respects with our fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that our Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(xii) Rights are personal to grantee

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(xiii) Rights on cessation of employment by death

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (xiv) below arises within a period of three years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (xvii), (xviii) and (xix) occurs prior to his death or within such period of 12 months following his death, then his legal personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(xiv) Rights on cessation of employment by dismissal

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with our Group.

(xv) Rights on cessation of employment for other reasons

In the event that the grantee is an employee, a consultant or an adviser (as the case may be) of member of our Group at the date of grant and he subsequently ceases to be an employee, a consultant or an adviser (as the case may be) of our Group for any reason other than his death or the termination of his employment of an employee or engagement of a consultant or an adviser (as the case may be) on one or more of the grounds specified in (xiv) above, the option (to the extent not already lapsed or exercised) shall lapse on the expiry of three months after the date of cessation of such employment of an employee or engagement of a consultant or an adviser (as the case may be) (which date will be in the case of an employee the last actual working day, on which the grantee was physically at work with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not, and in the case of a consultant or an adviser (as the case may be), the last actual day of providing consultancy or advisory services to the relevant member of our Group).

(xvi) Effects of alterations to share capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices, as the auditors of or independent financial adviser to our Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time, provided that any alteration shall give a grantee, as near as possible, the same proportion of the issued share capital of our Company as that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(xvii) Rights on a general offer

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all our Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/ or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already lapsed or exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(xviii) Rights on winding-up

In the event a notice is given by our Company to our members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(xix) Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and our Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to our Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already lapsed or exercised) shall become exercisable in whole or in part on such date not later than two Business Days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (“Suspension Date”), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavour to procure that our Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or wilful default on the part of our Company or any of our officers.

(xx) Lapse of options

An option shall lapse automatically on the earliest of:

- (aa) the expiry of the period referred to in paragraph (ix) above;
- (bb) the date on which the Board exercises our Company’s right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (xii);

- (cc) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (xiii), (xv), (xvii), (xviii) or (xix) above;
- (dd) subject to paragraph (xviii) above, the date of the commencement of the winding-up of our Company;
- (ee) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;
- (ff) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or
- (gg) subject to the compromise or arrangement as referred to in paragraph (xix) become effective, the date on which such compromise or arrangement becomes effective.

(xxi) Cancellation of options granted but not yet exercised

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in a manner that complies with all applicable legal requirements for such cancellation.

(xxii) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date and shall expire at the close of business on the Business Day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

(xxiii) Alteration to the Share Option Scheme

- (aa) The Share Option Scheme may be altered in any respect by resolution of the Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options relating to matters governed by Rule 17.03 of the Listing Rules shall not be made except with the prior approval of the Shareholders in general meeting.
- (bb) Any amendment to any terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of the Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

- (cc) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of the Listing Rules and the notes thereto and the supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time (including the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes) or any guidelines issued by the Stock Exchange from time to time.

(xxiv) Termination to the Share Option Scheme

Our Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(xxv) Conditions of the Share Option Scheme

The Share Option Scheme is conditional upon the Listing Committee granting the listing of, and permission to deal in, our Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, and commencement of dealings in the Shares on the Stock Exchange.

(c) Present status of the Share Option Scheme

Application has been made to the Listing Committee for the listing of and permission to deal in 74,000,000 Shares which fall to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

(E) OTHER INFORMATION

1. Tax and other indemnities

Mr. Tang, Mr. Kwok, Ms. Choi and Waterfront Palm (collectively, the “Indemnifiers”) have, under a deed of indemnity referred to in the paragraph “(B) Further Information about Our Business – 1. Summary of material contracts” in this appendix, given joint and several indemnities to our Company for ourselves and as trustee for our subsidiaries in connection with, among other things,

- (a) any liability for Hong Kong estate duty which might be payable by any member of our Group under or by virtue of the provisions of any other applicable legislation in any relevant jurisdiction outside Hong Kong arising

on the death of any person at any time by reason of any transfer of any property to any member of our Group on or before the date on which the Share Offer becomes unconditional;

- (b) any taxation which might be payable by any member of our Group (i) in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the date on which Share Offer becomes unconditional; or (ii) in respect of or in consequence of any act, omission or event occurring or deemed to occur on or before the date on which the Share Offer becomes unconditional; and
- (c) any claims, actions, demands, proceedings, judgements, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of our Group as a result of or in connection with:
 - (i) any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings instituted by or against any member of our Group in relation to events occurred on or before the date on which the Share Offer becomes unconditional;
 - (ii) the implementation of the Reorganisation and/or disposal or acquisition of the equity interest in any member of our Group since the date of incorporation of each member of our Group and up to the date on which the Share Offer becomes unconditional; and
 - (iii) any non-compliance with the applicable laws, rules or regulations by our Company and/or any member of our Group on or before the date on which the Share Offer becomes unconditional.

The Indemnifiers will, however, not be liable under the deed of indemnity for taxation to the extent that, among others:

- (a) specific provision, reserve or allowance has been made for such taxation liability in the audited combined financial statements of any member of our Group for the Track Record Period; or
- (b) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Share Offer becomes unconditional; or
- (c) the liability arises in the ordinary course of business of our Group after 31 March 2016 up to and including the date on which the Share Offer becomes unconditional.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

2. Litigation

Save as disclosed in the section “Business – Litigation and Potential Claims”, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group as at the Latest Practicable Date.

3. Sponsor

The Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned herein including any Shares to be issued upon exercise of the Over-allotment Option and any options to be granted under the Share Option Scheme.

The Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

Our Company has entered into an agreement with the Sponsor, pursuant to which our Company agreed to pay a financial advisory and documentation fee of HK\$6 million to the Sponsor in respect of the Share Offer, and will reimburse the Sponsor for their expenses properly incurred in connection with the Share Offer.

4. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK\$62,382 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
Dakin Capital Limited	A corporation licensed to carrying on type 6 (advising on corporate finance) regulated activity under the SFO
SHINEWING (HK) CPA Limited	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Mr. Chan Chung	Barrister-at-law of Hong Kong
Euromonitor International Limited	Industry consultant

7. Consents of experts

Each of Dakin Capital, SHINEWING (HK) CPA Limited, Conyers Dill & Pearman, Mr. Chan Chung and Euromonitor International Limited has given and has not withdrawn its/his written consent to the issue of this prospectus with the inclusion of its/his reports and/or letter and/or opinion and/or summary thereof (as the case may be) and/or reference to its/his name included herein in the form and context in which it is respectively included.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. Taxation of holders of Shares

(a) *Hong Kong*

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

No stamp duty is payable in the Cayman Islands on transfer of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intending holders of our Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasised that none of our Company, our Directors or other parties involved in the Share Offer accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

10. No material adverse change

Our Directors confirm that there has not been any material adverse change in the financial or trading position or prospects of our Group since 31 March 2016 (being the date to which the latest audited combined financial statements of our Group were made up).

11. Particulars of the Selling Shareholder

The Selling Shareholder is Waterfront Palm, a company incorporated in the BVI with limited liability on 8 October 2015 with registered office at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, the BVI. Waterfront Palm is legally and beneficially owned as to 50%, 40% and 10% by Ms. Choi, Mr. Tang and Mr. Kwok, our executive Directors, respectively. Waterfront Palm is an investment holding company. The number of Sale Shares to be sold by Waterfront Palm is 45,000,000 Shares.

12. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
- (i) no share or loan capital of our Company or any of the subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration than cash;
 - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of the subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of the subsidiaries;

- (iii) no commission has been paid or is payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares or debenture of any of our Company or our subsidiaries; and
 - (iv) no share or loan capital of our Company or any of the subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (b) Neither our Company nor any of the subsidiaries has issued or agreed to issue any founders shares, management shares, deferred shares or any debentures.
- (c) Save as disclosed in the section headed “Underwriting” in this prospectus, none of the parties listed in the paragraph headed “7. Consents of experts” in this appendix is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries.
- (d) The branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited, our Hong Kong Branch Share Registrar. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands. All necessary arrangements have been made to ensure our Shares to be admitted into CCASS for clearing and settlement.
- (e) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus.
- (f) None of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought.
- (g) We have no outstanding convertible debt securities.
- (h) Our Directors have been advised that, under Cayman Islands law, the use of a Chinese name (which has been entered on the register of companies in the Cayman Islands as evidenced by the Company’s Certificate of Incorporation) by our Company in conjunction with the English name does not contravene Cayman Islands law.
- (i) The English text of this prospectus shall prevail over the Chinese text.

13. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided in Section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were (a) copies of the Application Forms; (b) the written consents referred to in the paragraph “(E) Other Information – 7. Consents of experts” in Appendix IV to this prospectus; (c) copies of the material contracts referred to in the paragraph “(B) Further Information about our Business – 1. Summary of material contracts” in Appendix IV to this prospectus; and (d) the statement of particulars of the Selling Shareholder.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of D. S. Cheung & Co., at 29/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the accountants’ report of our Group dated the date of this prospectus prepared by SHINEWING (HK) CPA Limited, the texts of which are set out in Appendix I to this prospectus;
- (c) the audited combined financial statements of our Company for the Track Record Period;
- (d) the report on unaudited pro forma financial information prepared by SHINEWING (HK) CPA Limited, the text of which is set out in Appendix II to this prospectus;
- (e) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this prospectus;
- (f) the material contracts referred to in the section “(B) Further Information about our Business – 1. Summary of material contracts” in Appendix IV to this prospectus;
- (g) the Share Option Scheme;
- (h) the written consents referred to in the paragraph “(E) Other Information – 7. Consents of experts” in Appendix IV to this prospectus;
- (i) the Companies Law;
- (j) the letter of advice prepared by the Legal Counsel dated the date of this prospectus;
- (k) the Euromonitor Report; and
- (l) the statement of particulars of the Selling Shareholder.

CHerish Holdings Limited
東盈控股有限公司